

The World Bank as a Knowledge Producer

The World Bank

*How the Bank Uses Flawed Processes
to Generate Unsound Knowledge
for Promoting Disastrous Policies*

The World Bank



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Manthan Adhyayan Kendra

Manthan Adhyayan Kendra was set up in year 2002 to research, analyse and monitor water and energy related issues, with a special focus on the developments resulting from the liberalisation, globalisation and privatisation of the economy.

In last several decades, resource use and developmental activities have given rise to fierce debates and intense struggles raising issues of social justice, equity, environmental sustainability, human rights. Serious concerns have been raised about the efficacy in delivering benefits of the existing developmental paradigm. In recent years, enormous transformations in the global and national economic and financial structures have made these concerns even more relevant.

It is necessary, for those working in the public interest and public policy arena to fully understand these transformations,

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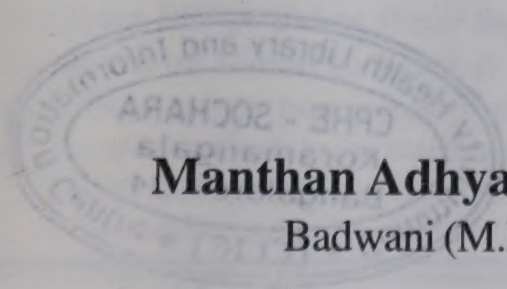
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*How the Bank uses Flawed Processes to Generate Unsound
Knowledge for Promoting Disastrous Policies*

Shripad Dharmadhikary

Manthan Adhyayan Kendra

Badwani (M.P.) India



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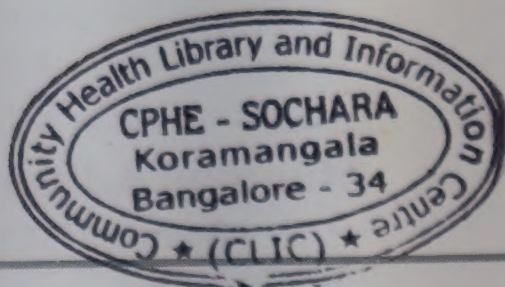
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Abbreviations

AAA	Analytical and Advisory Activities
ADB	Asian Development Bank
CAS	Country Assistance Strategy
CGIAR	Consultative Group on International Agricultural Research
DFID	Department For International Development
DPR	Development Policy Report
GDLN	Global Development Learning Network
GoI	Government of India
GoMP	Government of Madhya Pradesh
IFC	International Finance Corporation
LPG	Liberalisation Privatisation and Globalisation.
MoUD	Ministry of Urban Development
NLTA	Non-Lending Technical Assistance
PPIAF	Public Private Infrastructure Advisory Facility
PPP	Public Private Partnership
PWC	Price Waterhouse Coopers
RWSS	Rural Water Supply and Sanitation
TA	Technical Assistance
TINA	There Is No Alternative
UWSS	Urban Water Supply and Sanitation
WBI	The World Bank Institute
WCD	World Commission on Dams
WSP	Water and Sanitation Program
WSRP	Water Sector Reform Project
WSS	Water Supply and Sanitation

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The 'Other' Bank

"Development knowledge is part of the 'global commons': it belongs to everyone, and everyone should benefit from it... The Bank Group's relationships with governments and institutions all over the world, and our unique reservoir of development experience across sectors and countries, position us to play a leading role in this new global knowledge partnership. We need to become, in effect, the Knowledge Bank."

James Wolfensohn,

(then) President of the World Bank,

Welcome Address to the Annual General Meeting, 1 October 1996

.....

THE WORLD BANK has been engaged in producing knowledge. This knowledge has been produced and used to design, plan and justify policies, programs and projects all over the world. The Bank is recognised as the biggest research institution working on developmental issues.

In 1996, James Wolfensohn, then President of the World Bank, took this role to a new level. Calling for the Bank to become a Knowledge Bank, he placed this 'other' side of the Bank on a footing as important as that of its financial side. The announcement was backed by a Strategic Compact and the roll-out of a plan that was to cost over 50 million US\$ over next several years.¹

Why is being a knowledge provider so important to the Bank? Ostensibly, it is to better tackle the challenges of global poverty eradication and improving people's lives. However, there appear to be other reasons.

It is an open secret that the World Bank directly intervenes in the policy making processes of the countries to which it lends money. It forces countries to make sweeping changes in their policies, laws, programs and projects. It compels structural adjustments of their economies. It imposes a host of conditions which determine, often to the smallest detail, what a country should do or should not do. In the last 15 years or so, the Bank has been consistently pressurising Governments along the path of Liberalisation, Privatisation and Globalisation (LPG). This involves forcing open more and more sectors of the economy to global private capital, while simultaneously pushing for the 'commercialisation' of these sectors, that is, the operation of these sectors along commercial lines, as a market, so as to create an enabling environment for privatisation. This package is often euphemistically called 'reforms'.

The Bank and the Governments (at least the Government of India) vehemently deny this interference. In the make-believe world which they expect the citizens to accept as true, all these changes are proposed by the host country and the World Bank only agrees to them and funds them.

On the ground, however, these policies pushed by the Bank have had terrible impacts, especially on the economically weaker sections of the society. There is tremendous resistance to these changes and these policies are facing intense protests all over the country (and all over the world). It is therefore necessary to have strong justification for the new policies. It has to be shown that what the Bank is suggesting will benefit the people, will help eradicate poverty, will lead to strengthening of the local economies. One of the most important ways in which this is done is through the use of knowledge.

The Bank produces and uses vast amounts of knowledge to justify and argue for the policies it is recommending. This is the creation of the 'intellectual' support, the rationale and justification of privatisation and globalisation.

The Bank produces its knowledge in many ways - through its own in-house research, through the many surveys and studies carried out as a part of project preparation, and through experience gained from the implementation of its projects all over the world. The Bank is particularly proud of its ability to bring knowledge of international best practices to the table. As the Bank's Country Strategy 2005-08 for India² says:

The Bank Group offers a number of strengths. First among these is the Bank Group's ability to gather and share global knowledge and experiences with GoI and other important audiences in India.

Consider, for example, the water sector. It is precisely such 'global knowledge and experience' that the Bank has used to justify and push policies of privatisation, globalisation and commercialisation in the water sector in the country. Since late-1990s, a tremendous transformation is on in the water sector with reforms and restructuring going on in many states. These are dismantling the social responsibility foundation of the sector and changing it into a market. There is also a spate of privatisation in water supply projects all over the country. Most of these changes are being carried out as a part of one or more World Bank and / or Asian Development Bank funded projects.

Knowledge clearly is the 'soft power' of the World Bank, a power that is as influential as is its money power.

An examination of this knowledge and experience brought in by the Bank however raises several questions:

1. How is it that the knowledge and experiences of the Bank somehow always lead to the path of privatisation and globalisation?

2. Why are knowledge and experience that militate against these options missed out or ignored?
3. Are knowledge and experience that could lead to other courses of action excluded, intentionally or inadvertently?
4. How is the Bank's knowledge produced?
5. Who is involved in producing this knowledge? What is the role of highly paid international consultants in generating this knowledge?
6. Who are excluded in the process of producing this knowledge? In particular, are people directly affected by Bank-influenced policies and projects involved in this?
7. Is the Bank's knowledge privileged over other streams and bodies of knowledge? If so, why and how?

These questions assume greater importance and urgency as evidence accumulates that these policies have cut people's access to water, led to environmental destruction, resulted in displacement and destitution of people, stifled better options for water resource management, have had huge opportunity costs, and privileged corporate profits over social responsibility and equity.³

The importance the World Bank gives to this role of creating the intellectual base for pushing its formulation of development policies is clear from Country Assistance Strategy (CAS) for India for 2005-2008. This CAS determines the strategies and priorities of the Bank's lending to India for the three years. Among the three key "Strategic Principles" which "under pin the Bank Group's work" in India is the one that

The Bank will also aim to substantially expand its role as a politically realistic **knowledge provider and generator**.⁴ (*Emphasis in original*).

In spite of the importance given by the Bank itself, and the growing excellent work around this role of the Bank, studies of the Bank as a Knowledge provider remain limited, especially in India. This paper is an attempt to fill part of this gap.

We look at the Bank's knowledge producing machinery at the global level, and in India. We then look at several case studies of the use of knowledge by the Bank to promote specific policies in the water sector. These case studies illustrate how unsound knowledge is being used by the Bank, through flawed processes, to push its desired policies. We also draw out an overall critique of the Knowledge Provider role of the Bank.

This study has benefited greatly from the comments of Michael Goldman, Nandini Oza, Peter Bosshard, Shalmali Guttal, Shefali Sharma and Vicky Cann. We would also like to thank the planning team of the Independent People's Tribunal on the World Bank Group in India, where a paper based on this study was presented, for detailed and stimulating discussions on this subject. In particular, we would like to acknowledge the inputs of Prashant Bhushan for his revealing study on the 'revolving door', Suchi Pande and a researcher who would like to remain anonymous.

We would like to thank the World Bank and PPIAF offices in India and John Briscoe of the World Bank for the prompt and detailed replies to our queries.

We remain responsible for any errors and interpretations.

We are aware that what we have been able to put together are at best some glimpses of the World Bank as a knowledge producer. Far more detailed work on this is called for, not only on this aspect of the Bank, but on how to create, strengthen and sustain alternative systems of knowledge.

Badwani (MP)
March 2008

Shripad Dharmadhikary

The World Bank as a Knowledge Producer

THE WORLD BANK has been engaged in producing knowledge, using it to design and justify policies pushed by it all over the world. Recently, the importance to this side of the Bank has been increasing.

The Knowledge Bank

In 1996, James Wolfensohn, then President of the World Bank, called for the World Bank to become a Knowledge Bank. The Bank's latest Country Strategy for India puts "expanding the Bank Group role as a politically realistic knowledge provider and generator" as one of its three strategic principles.

Why Knowledge?

It is an open secret that the World Bank directly intervenes in the policy making processes of the countries to which it lends money. In the last 15 years or so, the Bank has been consistently pressurising Governments to privatise and commercialise their economies and open them up to global financial capital - euphemistically called 'reforms'.

These policies have had disastrous impacts especially on the marginalised sections of the society, leading to world-wide protests and resistance. The Bank is therefore increasingly being called upon to present justification for these policies. One of the important ways in which this is being done is through the use of knowledge - in effect the creation of the 'intellectual' support of privatisation and globalisation.

Where is the Knowledge Produced

The Bank is one of the biggest research institutions working on developmental issues with around 100 research staff and an annual

budget of US\$ 25 million, and an additional US\$ 20 million for statistical capacity building.

Research is also produced at the 6 Regions and the various Networks within the Bank. Research output is in the form of journal articles, books, Policy Research Working Papers, Data Products, Special Flagship Reports, the World Development Review and annual conferences. In addition, the World Bank publishes two peer-reviewed research journals, the World Bank Research Observer, and the World Bank Economic Review.

Bank researchers and their consultants produced nearly 4,000 papers, books, and reports between 1998 and 2005 including more than 2,000 articles in peer-reviewed journals.

The World Bank Institute (WBI), founded by the Bank in 1955, is one of the Bank's capacity development instruments.

In addition to research, the Bank produces enormous amounts of knowledge in its economic and sectoral work, technical assistance, country level assessments, project preparation studies, project evaluations, capacity building work and so on.

The Bank's Knowledge Networks

As important as the Bank's in-house system are the many and extensive linkages and networks that the Bank has created with external researchers, research institutes, professionals, like the Consultative Group on International Agricultural Research (CGIAR) and Global Development Learning Network (GDLN)

These networks potentially offer a mechanism for the Bank to gain legitimacy for its knowledge, as also to build long lasting institutions that will perpetuate Bank style research and its internalisation.

The Knowledge Producer in India

In India, the Bank produces knowledge in the form of short pieces of sector work to formal pieces of analytical and advisory work.

technical assistance, conferences and workshops. In terms of policy impact, by far the most important are the thematic and sectoral studies, called AAA - Analytical and Advisory Activities. For the years 2005-08, the Bank has planned 22 major studies to be undertaken.

A significant part of the knowledge generation work is carried out by the Bank in collaboration with other multi-lateral or bilateral aid agencies like the Asian Development Bank (ADB), UK Government's aid agency Department for International Development (DFID) etc.

Flawed Knowledge

This study looks at the role of the World Bank as a Knowledge Producer in context of the water sector in India.

The Water sector in India - including urban and rural water supply, industrial supply and irrigation - is undergoing a tremendous transformation and new policies and laws are attempting to turn it into a market with commercial operation, with an increasing role for the private sector. These policies are being promoted by the World Bank and other international financial institutions on the basis of knowledge generated by them.

Unfortunately, the Bank's process of generating knowledge is flawed and exclusionary. It excludes common people, and their traditional expertise and knowledge. The Bank's knowledge is frequently created by highly paid, often international, consultants, who have little knowledge of local conditions. The knowledge creation is mostly directed towards arriving at a pre-determined set of policies - privatisation and globalisation. This knowledge creation is often selective, in that information, evidence or experiences that do not support these pre-determined outcomes are ignored.

Case Studies

The study presents several examples of this. It shows how the Bank has tried to promote a market in water entitlements, but has not revealed crucial evidence of the negative impacts of this. It shows that the Bank is promoting privatisation of urban water supply based

on knowledge presented in misleading ways, or by ignoring important information or with prematurely reached conclusions. The study finds that the Bank is justifying large dams, showing they are benefiting the poor the most. The Bank is making this claim based on a study it has not yet made public though it has been using it for more than 2 years. It shows how foreign consultants have written water strategies of the state of Madhya Pradesh, without proper consultations.

Larger Critique

A recent independent evaluation of the World Bank's research shows that the case studies presented by this study are not merely anecdotal. Rather, they are typical of the way knowledge is produced and used by the Bank. Among other things, the independent evaluation said that "One criticism that was made repeatedly is that research tended to jump to policy conclusions that were not well-supported by the evidence" and found that "in some cases, the Bank proselytized selected new work in major policy speeches and publications, without appropriate caveats on its reliability".

This study also notes several cases in which the Bank's policy prescriptions have failed, with disastrous impacts on people, and have been acknowledged by the Bank to have failed. These include the push for privatisation in the water sector. In spite of such dramatic failures, the Bank's knowledge maintains its dominance and hegemony. The study explores mechanisms behind this, including the Bank's financial muscle.

One of the key functions of the Bank's knowledge has been to create the TINA myth - There Is No Alternative - no alternative to its policies, no alternative to the knowledge created by it.

The study lays out the challenge for the citizens of this country to break the hegemony of the Bank on knowledge production, democratise the creation of knowledge, detach it from the interests of excessive profits and reform it to address issues of common good, equity, justice, environmental sustainability. □

The Global Knowledge Bank

"The World Bank is one of the most important centres of research in development economics today. It spends approximately two and a half percent of its total budget on research and its research department, including 93 researchers and more than 30 support staff, is by far the biggest single group of high-quality researchers in development economics."

Abhijit Banerjee et al

An Evaluation of World Bank Research, 1998 - 2005

.....

THE BANK has truly a vast research machinery. Analytical work at the Bank includes what is called 'research' and 'economic and sectoral work'. Research is defined as work that has wide applicability across countries or sectors, and is in general more academic in nature. Economic and sector work is more application oriented, applying research results to particular project or country settings.⁵

The World Bank's Research Organisation

The Development Economics Vice Presidency (DEC), is the main centre for research. The Development Research Group (DECRG) (the largest group within DEC) is the most important research unit in the Bank, and currently has approximately 80 full-time staff researchers and 15 other long-term researchers, as well as around 30 support staff.

In order that research maintains links with the operational side of the Bank, researchers have a target of 30 percent of their time that they must spend in 'cross-support' to operations.

Research is also produced at the 6 Regions and the various Networks within the Bank. Research output is in the form of journal articles, books, Policy Research Working Papers, Data Products, Special Flagship Reports, the World Development Review and annual conferences. In addition, the World Bank publishes two peer-reviewed research journals, the *World Bank Research Observer*, and the *World Bank Economic Review*.

Bank researchers and consultants produced nearly 4,000 papers, books, and reports between 1998 and 2005 including more than 2,000 articles in peer-reviewed journals.⁶

The Policy Research Working Paper series is meant for disseminating the findings of work in progress. Approximately 330 working papers are published each year, with nearly 4100 published since inception.

The Bank also brings out a large number of data -products, most important one being the World Development Indicators, which aggregates economic, environmental, and social data on over 150 countries.

There are several flagship reports, and its annual World Development Report is among the best known knowledge products of the Bank.

The Bank also hosts many conferences and workshops, including the Bank Conference on Development Economics held twice a year.

The total research budget of the Bank is about US\$ 25 million (FY 2005)⁷, and the Data Group has an additional US\$ 20 million for statistical capacity building.

Other Places of Knowledge Production in the Bank

However, this is only a part of the huge knowledge production system of the Bank. All the above figures pertain essentially to 'research'. In addition to research, the Bank produces enormous amounts of knowledge in its economic and sectoral work, technical assistance, country level assessments, project preparation studies, project evaluations, capacity building work and so on. Indeed, in terms of influencing policies and outcomes, this part of the Bank's knowledge is probably far more important than the 'research' part.

Considering that in 2004, the Bank was involved in about 1500 active projects we can see the extent of the project related knowledge generated by the Bank - in terms of the on-ground experience during implementation, as well as the studies done for project preparation. In addition, the region and country offices of the Bank produce large number of sectoral and thematic studies and carry out innumerable policy dialogues. We shall see this in detail in the Indian context in the next chapter.

The Bank's Knowledge Networks

As important as the Bank's in-house system are the many and extensive linkages and networks that the Bank has created with external researchers, research institutes, professionals and others. Some of these were built up as a part of the initiatives taken by then President Wolfensohn to establish the Knowledge Bank. Others were a part of the Bank's earlier working.

The Bank had been involved in producing and using knowledge even before Wolfensohn's initiatives.

In 1955, the World Bank founded the Economic Development Institute (EDI) to train government officials from developing countries in general development, as well as economic analysis and implementation of development projects and programs. In 2000, the

Institute was renamed the World Bank Institute (WBI). WBI describes itself as:

The World Bank Institute (WBI) is one of the World Bank's capacity development instruments. The World Bank Institute works closely with the Bank's country teams to integrate capacity development activities into country assistance strategies. WBI helps increase its clients' capacities to access knowledge from multiple sources, both local and global, and to use that knowledge to develop strategies, and to make and implement policies. WBI delivered more than 700 learning activities to some 75,000 clients, and awarded 211 scholarships in fiscal year 2007. WBI has representation in the field in Burkina Faso, China, Egypt, Ethiopia, France, Ghana, India, Nigeria, Senegal, Tanzania and Turkey.⁸

Interestingly, in the early 1960s, one of the key problems for the Bank was the limited number of projects presented to it for lending, because the studies and analysis needed to prepare a project or a program was often beyond the capacity of less developed countries. To address this, then President Eugene Black set up the Development Services Department and Development Advisory Service "that offered advice and technical services in preparation of loan applications."⁹ In other words, the Bank would provide advice to countries on what kind of projects they should undertake and what kind of projects they should seek loans from the Bank for.

The beginning of Bank's massive foray into producing developmental knowledge is attributed to Robert McNamara's presidency of the Bank. Soon after McNamara took over in 1968, "[T]he World Bank ... became the central headquarters for research, economic modelling, data collection, report writing and dissemination of information on the so-called less developed world."¹⁰ Goldman (2006) details the process of how teams of professional staff and consultants went on missions to conduct economic research, leading to in-country economic analysis and policy discussions with borrowers.

In 1971, McNamara was able to persuade the Board of the Bank to support an annual grant for a Consultative Group on International Agricultural Research (CGIAR). This was the culmination of a long process of negotiations in which certain agricultural research institutions run by Rockefeller and other Foundations (some of which were responsible for developing the Green Revolution seeds) were adopted into this Group.¹¹

The CGIAR describes itself as a strategic partnership of countries, international and regional organizations and private foundations supporting the work of 15 international agricultural research Centres.¹² As per the CGIAR, from its very inception,

... the World Bank has provided the CGIAR with its Chairman, who is the primary source of System leadership; the CGIAR Executive Secretary, a position subsequently transformed to Director, the System's de facto Chief Executive Officer; the CGIAR Secretariat; and funding.¹³

Another example of a Bank founded and supported network is the more recent Global Development Learning Network (GDLN), a partnership of over 120 learning centres (GDLN Affiliates) in nearly 80 countries around the world. GDLN Affiliates collaborate in holding events that connect people across countries and regions for learning and dialogue on development issues.

GDLN was initiated in June 2000 under the leadership of the World Bank. Today the World Bank provides support to Network-wide central strategy, communications, processes and systems, and is also an important client of the Network.

Most GDLN Affiliates are located in developing countries, typically hosted by universities, think tanks and other local institutions that work on development policy and programs. Some Affiliates were set up through World Bank loans or grants, notably in Africa, and a few are co-located with World Bank offices.¹⁴

These, and other networks set up by the Bank involve thousands of professionals, policy makers, researchers and many institutions producing and disseminating knowledge.

Equally important, these networks potentially offer a mechanism to the Bank to disseminate its knowledge, build long lasting institutions that will replicate and perpetuate Bank style research, accord legitimacy to this knowledge, and ultimately lead to internalisation of such methods and such knowledge.



The Knowledge Provider in India

Three Strategic Principles will underpin the Bank Group's work: (i) focusing on outcomes... (ii) applying selectivity...and (iii) expanding the Bank Group role as a politically realistic knowledge provider and generator.

World Bank's Country Strategy for India for 2005-08

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WITH THE BANK placing generation and provision of knowledge as one of its three strategic priorities in the country the importance of these activities is increasing. How and where is knowledge being created by the Bank in India?

The Bank's India Country Assistance Strategy, 2001 says:

The Bank Group will employ various tools to develop and disseminate knowledge: from short pieces of sector work to formal pieces of analytical and advisory work, technical assistance, conferences and workshops. Workshops and conferences, to be organized in collaboration with the World Bank Institute, will be used to facilitate the national debate on economic reform and to disseminate domestic and international experience.¹⁵

Apart from these, knowledge is also being created in the form of project preparation studies, studies undertaken as part of project implementation and assessments on project completion. The now infamous report of Price Waterhouse Coopers (PWC) on the reform of Delhi water supply system - nothing less than a comprehensive plan for its complete commercialisation and privatisation - was actually

a Project Preparation document under the Bank's Delhi Water Supply and Sewerage Project.¹⁶

However, the key knowledge creation activities are the thematic and sectoral studies, called AAA - Analytical and Advisory Activities - in Bank parlance.

Analytical and Advisory Activities

The Bank's Country Assistance Strategy (CAS) is prepared for a period of three years. The latest CAS for India, for the years 2005-08, lists 15 major studies to be undertaken in the CAS period. These include studies like Land Issues for Growth, Strategic Issues in India's Water Sector, Agricultural Marketing and Value Chain Development. While 10 of these have been completed, another seven studies have now been added.¹⁷ Among the most important studies is the Development Policy Review (DPR) which is the flagship report into which many of the AAA reports feed in.

These studies involve many consultants and "several of the main reports recently completed have been prepared through joint work with Indian policy and economic research institutions and think tanks."¹⁸

The funds for these studies are separate from the money spent on the Bank's project lending. However, the Bank did not give us any figures for the amount spent on these activities saying:¹⁹

The money for AAA usually comes out of the administrative budget and we do not have ready figures of amounts spent, as the budget is different for different tasks.

The use of the AAA for influencing policies is of great relevance to our enquiry and we will come back to this after we look at other AA activities.

Technical Assistance

Technical assistance is of two types - Non-Lending Technical Assistance (NLTA), and Technical Assistance (TA) loans.

Unlike the ADB, it appears that very few loans of the Bank are classified as Technical Assistance. The Bank's website gives 7 such projects for India. These include the ongoing US\$ 45 million "Technical Assistance for Economic Reforms" and the 1993 project "Technical Assistance (Private Power Development) Project". Several other loans have components classified as Technical Assistance. For example the Kerala Rural Water Supply and Environmental Sanitation Project has two TA components, namely technical assistance for comprehensive state-wide planning, development and management aspects and technical assistance to the Central Government to foster sector reforms.

The NLTA is also an important means of developing and using knowledge to promote specific policies. TA and NLTA both appear to have been used frequently to promote capacity building or reforms. For example, the Bank notes, in a self-assessment of the FY 2002-04.²⁰

The country team [of the Bank] continued a dialogue on reforms and provided non-lending technical assistance in UP when further adjustment lending was put on hold as the state's reform process faltered. Substantial policy advice and non-lending technical assistance have also been provided in states where adjustment lending has been under preparation, namely AP, Karnataka, Tamil Nadu and Orissa.

In the current CAS period also, TA work in particular, and AAA in general is being used to promote reforms (LPG) and enabling conditions for the same. For example the mid-term review of the current CAS²¹ lists advisory and TA activities being used under the key themes of Improving Governance and Service Delivery, Promoting Private Sector Led Growth, Fostering the Competitive Economy.

Other examples of TA include regulatory reforms for private sector development in Orissa and joint work with Government of India to provide technical assistance on resettlement and land acquisition policies.

The World Bank Institute (WBI) is also involved in TA work, with its program in India focussing primarily on capacity building and technical assistance in five areas: urban management, public sector management, PRIs, health and HIV/AIDS, and investment climate.

Knowledge Work with Other Agencies

A significant part of the knowledge generation work is carried out by the Bank in collaboration with other multi-lateral or bilateral aid agencies like the Asian Development Bank (ADB), UK Government's aid agency Department for International Development (DFID) etc. Moreover, the Bank also manages some of the multi-donor funding agencies (agencies which are created by several donor organisations coming together) like the Water and Sanitation Program (WSP) and the Public Private Infrastructure Advisory Facility (PPIAF). Most of these, like the Bank, promote LPG policies.

Asian Development Bank and DFID

The Bank and ADB are engaged in broad policy dialogue with 12 Indian states that have the largest number of poor.²² This dialogue is focussed on cross-cutting reforms in all 12 states.²³

In April 2004 DFID and the Bank signed an agreement, setting up the World Bank-DFID Trust Fund to Enhance Bank Effectiveness in Enabling Reforms and Poverty Reduction in Support of Government of India's Five-year Plan (TF054784) in September 2005. According to the Bank,²⁴

The trust fund has helped to support the expansion of the Bank's dialogue and TA to states interested in reform...

An interesting example of the World Bank-ADB-DFID collaboration

in promoting privatisation and commercialisation is in the state of Madhya Pradesh. DFID gave a grant to ADB of half a million dollars, which ADB gave to the Government of M.P. to develop an integrated water resources management strategy. The contract for this was given to a British consultancy firm Halcrow. Halcrow's report formed one of the important basis for developing the World Bank's Madhya Pradesh Water Sector Restructuring Loan (US\$ 396 million), sanctioned in Sept. 2004. This loan aims to convert the whole sector into a market based commercial operation, and introduce privatisation in key areas like irrigation. The Bank-DFID Trust Fund also provided money for part of the project preparation.

Water and Sanitation Program

The Water and Sanitation Program (WSP) is a multi-donor program of the World Bank. It is involved in many knowledge production processes that promote reforms (LPG) in the water and sanitation sector. The WSP describes itself as:²⁵

We are able to share best practices across regions and place a strong focus on capacity building by forming partnerships with nongovernmental organizations, governments at all levels, community organizations, private industry, and donors. Our work helps to effect the regulatory and structural changes needed for broad WSS [Water Supply and Sanitation] reform.

WSP's programs include studies around reforms in Rural and Urban water supply and sanitation (RWSS and UWSS). Some examples of its projects are 'UWSS Reform Frameworks: Assistance to Govt. of Gujarat (GoG) in Promoting Public-Private Partnerships (PPPs)' or 'Enabling Environment and Incentives: Development of Public Private Partnerships (PPP) in RWSS'.

Public-Private Infrastructure Advisory Facility

The Public-Private Infrastructure Advisory Facility (PPIAF) is another multi-donor agency, set up with the express purpose of

promoting privatisation in infrastructure. PPIAF is managed by the World Bank and carries out or promotes essentially knowledge activities. This is what the Bank has to say about PPIAF in its mid-term review of the CAS:²⁶

A multi-donor technical assistance program managed by the Bank, the Public-Private Infrastructure Advisory Facility (PPIAF) supports nine ongoing activities in India, ranging from support to the Planning Commission to foster the creation of world-class infrastructure and to maximize the role of public-private partnerships (PPPs), to activities covering ports, highways, river basin planning for hydropower, water and sanitation service delivery, and reform. The PPIAF provides advisory, knowledge, and capacity-building support to facilitate the development of PPPs, and has proven to be a valuable resource for furthering the Bank's efforts in infrastructure development.

The support to the Planning Commission for example, is to the Secretariat for the Prime Minister's Committee on Infrastructure, which is based at the Planning Commission. The Secretariat is undertaking work aimed at improving the enabling framework for PPP in the infrastructure sectors. The PPIAF project is providing assistance to this Secretariat "so that this high level policy, legal and regulatory work benefits from international experience and good practices. The activity will help initiate policies ... to develop structures that maximize the role of public-private partnerships."²⁷

Conferences and Workshops

Conferences and workshops are critical to using knowledge to create environment conducive to the desired policy measures. It is not surprising therefore that they form a very important part of the knowledge activities of the Bank. According to the Bank,²⁸

Several seminars/conferences/workshops are organized in Delhi and other cities by different units, often in partnership with other organizations, around AAA reports and we do not have a central registry/count of these events.

A sample list given consisted of Labor Market Conference, Linking Farmers to Market Conference (co-sponsored with University of Illinois), Conference on Decentralization, Conference on PPPs.

An interesting example is that of a series of three workshops organised by the WSP and the World Bank and several other agencies titled "Willingness to Charge". The workshops were held in September, October and November 2002 in Hyderabad, Bangalore and Kolkata. There is considerable political resistance to increase tariffs in the water sector as this is likely to impact the poor significantly. The argument often made by the Bank is that while people are willing to pay higher tariffs, politicians are not willing to charge higher prices for water. The workshops were expected to "provide an understanding of the underlying reasons for 'willingness to charge' and... lay the foundation for follow-up analytical work, which will be useful for promoting the much needed tariff reform in the WS&S sector."²⁹ Tariff reform is a euphemism for sharp increases in tariffs to ensure full cost recovery and high profits for the private sector, and is a key element of the LPG program.

Dissemination of Knowledge

In addition to publications and conferences and workshops, the Bank has several other means to disseminate the knowledge generated by it. As per the Bank,³⁰

The Bank has intensified its communication, consultation, and outreach activities...

Overall efforts to disseminate AAA findings have been intensified through wide consultations with a range of external audiences (government officials, civil society groups, academia, media, stakeholders), greater engagement with the editorial heads of key national publications, and media workshops.

Sub-national outreach has been an integral part of dissemination initiatives and in addition to Delhi and Mumbai, regular events are being organized in Hyderabad, Bangalore, Patna, Bhubaneswar, Ahmedabad, and a number of other centers.

Using Knowledge to Influence Policies

It is instructive to see in some detail how knowledge activities are being used to push policies of liberalisation, privatisation and globalisation.

The CAS for 2005-08 decided to substantially increase the Bank's lending to India, and called for an expanded effort at the central level for actualising this scaling up.

A large part of this expansion will be in the form of AAA: for instance the series of major reports will primarily address issues of national consequence.³¹

Another important focus of the Bank at the central level was in terms of creating an environment conducive for the LPG policies.

At the Center, the Bank could selectively use investment lending, coupled with AAA to foster competitiveness. ... The Bank could also offer its AAA to provide knowledge support to build consensus for key reforms, such as trade and tariff reforms, FDI regulations, improving corporate restructuring and bankruptcy procedures, SOE [State Owned Enterprise] reform, and competition policy. IFC, through programs such as the South Asia Enterprise Development Facility (SEDF) and the Foreign Investment Advisory Service, could provide technical assistance for more detailed diagnostic work, and to support implementation of reforms aimed at improving the investment climate for foreign and domestic investors.³²

A similar effort was envisaged at the state level, where

Building on the considerable analytical work completed in analyzing the investment climate across India's states, in the coming years the Bank will use the survey results to help advise on critical reforms ... and will offer technical assistance for implementation of reforms to improve the investment climate.³³

After pushing LPG reforms at the central level from 1991, the Bank turned its attention to the states. The strategy earlier seemed to be to focus on 'willing' states, but now this has changed to proactively

pushing reforms in states which may be reluctant to undertake such reforms.³⁴

As a result, the Bank planned to initiate a dialogue on cross-cutting reforms with 12 of the largest and poorest states. This was to be on a voluntary basis, but in four states - Bihar, Jharkhand, Orissa and U.P. - the Bank had decided to work proactively. State level 'adjustment lending' was expected to continue and "such lending would be preceded by in-depth analytic work, and the Bank would provide technical assistance to help states as they implement their comprehensive reform programs."³⁵

All this shows that a key role had been planned for knowledge creation and its use in promoting reforms at the central and state levels. The actual implementation also has been as planned. As per the mid-term review of the CAS:³⁶

The Bank and the Asian Development Bank (ADB) have engaged in dialogue on cross-cutting reforms in all 12 states, the latter focusing on Assam, Madhya Pradesh, and West Bengal. The Bank has intensified its ongoing dialogue with Andhra Pradesh, Bihar, Karnataka, Orissa, Rajasthan, and Tamil Nadu, ranging from increased analytical and advisory activities to enhanced lending.

The Bank's approach to engagement with the four poorest states has been based on dialogue leading, in three of the four cases, to preparation of a comprehensive state economic report to analyze the major reform areas.

These activities of the Bank, leveraged by several loan projects have seen many clear policy shifts in the states towards liberalisation, privatisation and globalisation.³⁷

A key AAA output has been the Development Policy Report (DPR). As the Bank notes:³⁸

As a synthetic report, the DPR was able to draw on the rich array of AAA work-including recent reports on labor markets,

agriculture, the financial sector, water, decentralization, individual reports on lagging states, and reforms in service delivery-and bring the key results together in a high profile document that received wide dissemination and has influenced policy discussions.

Moreover, the DPR was timed to be available before the policy discussions around the 11th Plan, a key document for framing government policy directions, and we believe many found the DPR helpful in this regard. Moreover, the DPR themes and the evidence it could present (both new and from other AAA) are influencing many academic and civil society policy debates (for instance, it has been adopted as a key document for training of senior IAS officers, designed jointly by the Indian Institute of Management, Ahmedabad, and Harvard).

Thus, we see that the Bank has numerous means of creating and generating knowledge, which it then uses to justify and push policies of globalisation, privatisation and liberalisation in every part of the economy.

Unfortunately, the knowledge created by the Bank has several serious flaws. The process of generating this knowledge is exclusionary: it excludes common people, it excludes their traditional expertise and knowledge. The knowledge is created mostly by highly paid, often international, consultants, who have little knowledge of local conditions. The knowledge creation is mostly directed towards arriving at a pre-determined set of policies - the LPG package. Most importantly, this knowledge creation is often selective, in that information, evidence or experiences that do not support these pre-determined outcomes are ignored. All this makes the policy influence of the Bank's knowledge activities a serious cause for concern.

In the next few sections, we shall look at some specific examples from the water sector of knowledge creation and use by the Bank to illustrate these flaws.



Water Sector Review 1998

A. Creating Knowledge to Push Policies

TILL THE EARLY 1990s, World Bank lending to India for the water sector was essentially project lending - that is, it gave money for specific infrastructure projects. These included various Water Supply and Sewerage projects in Punjab, UP, Maharashtra, Gujarat, and hydropower and irrigation projects like Upper Indravati, Koyna, Sardar Sarovar, Subernerekha, Periyar-Vaigai, Mahanadi, Godavari Barrage etc.

Even during this time, there was an attempt to influence policy. For example, describing the “Rationale for Bank Involvement in the Sardar Sarovar (Narmada) Project”, the World Bank’s Staff Appraisal Report³⁹ in 1985 stated:⁴⁰

This project represents one of the best opportunities to achieve the Bank’s objectives of setting standards for the modernisation of the Indian Irrigation Sector.

In the 1990s, after the liberalisation, privatisation and globalisation of the economy in 1991, this role of the World Bank became more direct. The Bank’s lending to India’s water sector changed from project lending to sector lending. One reason for this was that project specific lending was easy to critique and target, and the Bank faced huge opposition on specific projects like the Narmada project. However, the main reason was that the sector lending provided more opportunities to directly influence sectoral policies with the help of stringent conditionalities accompanying the loans.

Thus, the mid-1990s saw a series of Water Resources Consolidation loans in states like Orissa, Tamil Nadu, Haryana, which

essentially were focussed on creating Water Users Associations for irrigation projects, and devolving onto them the responsibility to collect revenue and maintain the system. This was a part of the agenda of cutting down the role of the state and shifting water systems towards a commercial operation.

The Consolidation loans were followed by the Water Sector Restructuring loans in other states like U.P., Rajasthan, M.P.

These Restructuring loans were specifically aimed at the transformation (or 'reform', as it is euphemistically called) of the sector to market based and commercial operations, with centrality given to private sector participation. This is not surprising, as the World Bank and IMF were aggressively pushing every sector of the economy in this direction since 1991. However, the water sector was among the last of the sectors to see large-scale and comprehensive reforms.

The process to aggressively bring in LPG policies into the water sector was initiated around the mid-1990s with a key knowledge activity. Around this time, the World Bank began a comprehensive and wide-ranging review of India's water sector - called the India Water Resources Management Sector Review. (We shall refer to this as the Water Sector Review 1998 for brevity). This review is a remarkable demonstration of the use of knowledge to influence policy and we shall focus on this process in detail.

India Water Resources Management Sector Review

The Water Sector Review was a "sector-wide program undertaken in partnership between the Government of India and the World Bank, also with contributions from the Governments of U.K., Denmark and the Netherlands."⁴¹ The purpose was "collectively assessing and establishing a Reform Agenda and Action plan for India's Water Sector."⁴²

The Review was initiated in 1996 when a series of missions visited India. Subsequently, a World Bank team, with inputs from the Government of India and many consultants, finalised five specialist reports, dealing with

- (1) Intersectoral Water Allocation, Planning and Management
- (2) Groundwater Regulation and Management
- (3) Irrigation
- (4) Rural Water Supply and Sanitation
- (5) Urban Water Supply and Sanitation

A sixth report, synthesising all the above was also prepared. These were first published as World Bank reports in 1998.

While the process was called a “partnership” effort of the World Bank and Government of India, in reality, it was an initiative of the World Bank, and controlled by it. As the Synthesis Report points out:⁴³

The review was commenced and sustained under the leadership of: Heinz Vergin (Department Director), Robert Drysdale (subsequent department Director) and Edwin Lim (India Country Director); John Williamson (South Asia Chief Economist); Shawki Bargouti (Division Chief), succeeded by Michael Baxter and Ridwan Ali (Sector Managers- Rural Development) and Frannie Humplick.

All the above were World Bank officials. The overall team leaders for the mission and report preparation were also from the World Bank.

This was clearly a part of the World Bank's role as a Knowledge Generator and Provider. It initiated, funded and coordinated a massive effort to review the water sector and prepare ‘expert’ reports, all of which were to lead to reforms and action plans to implement them. These experts, which included World Bank staff, officials from Government of India and a large number of consultants, pulled together knowledge and information from all over the world to present and

justify a program that was in essence a full blown commercialisation and privatisation of the water sector.

Why the World Bank?

Writing his preface to one of the five reports, the then Additional Secretary, Ministry of Water Resources said:⁴⁴

The present report represents the culmination of a joint exercise undertaken by the World Bank and the Ministry of Water Resources, Government of India in reviewing the water resources sector with a view to evolving policies, strategies and Action Plan for its future development and management.

The very first question is - what is the World Bank doing in “evolving policies, strategies and Action Plan” for our country? Policy formulation should be done by our people and people’s representatives. If the Government wants to partner anyone in the process, it should be the people, not multilateral financial institutions. Yet, the Government does not seem to think it is doing anything wrong.

What Is the Need for New Policies?

Another important question that arises is why the need to revise the water policies, that too so drastically? After all, the National Water Policy had been adopted in 1987 after a lot of debate and discussion.⁴⁵ The World Bank had itself done a comprehensive review of the Irrigation sector in 1991. So what was the need for a new process?

The answer given by the World Bank is very interesting.

The National Water Policy (NWP) [1987] and other government policy statements ... are broadly in the right direction. For the NWP, now ten years old, it would, nevertheless, be appropriate to revisit this document and update it in the line with **further evolution of thinking in India and internationally.**⁴⁶ (Emphasis added)

And what is this new evolved international thinking? A footnote explains this as “Refer, for example, to the World Bank Water Policy

Paper 1993.” Thus, the Bank argues for revising the Water Policy on the basis of “new” national and international thinking - which turns out to be nothing other than the Bank’s own thinking. In other words, what the Bank is effectively saying is that “our thinking has changed, and so India must change its policies accordingly”.

Does the Bank have reasons for why its thinking has changed? The Water Sector Review 1998 tries to present knowledge, research and international experience to justify this shift. But this process has many serious flaws. We look at the following examples from the Water Sector Review 1998 to understand these.

B.Tradable Water Rights

One of the far reaching recommendations made by the World Bank in the Water Sector Review 1998 is the introduction of tradable water rights or water entitlements. The idea is this - that all (or at least some) people have a defined water entitlement. There is also a developed market of such entitlements, in which these can be sold or bartered. The economic logic is that this trading will ensure that water is allocated to the highest value user - thus ensuring efficiency of use. The World Bank is pushing this as an easy way (that is, where political resistance will be least) of inter-sectoral allocations.

The Water Sector Resources Strategy of the World Bank, adopted in 2003, states:⁴⁷

....those requiring additional resources (such as cities) will be ...able to meet their needs by acquiring the rights of those who are using water for low-value purposes.

....there are strong incentives for those using water for low-value purposes to voluntarily give up their rights, making reallocation politically attractive and practical.

The Water Sector Review 1998’s report on Intersectoral Allocation makes this approach even more clear, giving an example of Chennai.

It says:⁴⁸

As in all parts of the world, the value of water for irrigated foodcrops is a fraction of the value for urban and domestic purposes. Rough calculations suggest that the value of water in irrigation in Tamil Nadu is less than Rs. 0.5 / cubic meter. Even if Metrowater [Water Supply Company for Chennai] could pay several times this amount, it could obtain additional water....

The potential for voluntary inter-sectoral transfer of water to urban users from irrigation provide a promising low cost alternative...

Thus, the Bank argues that in a water market, the farmer would find it more profitable to sell his share of water to the city (or an industry, or a golf course) than to grow crops.

Of course, the World Bank does agree that "some see this as an unhealthy commodification of a public good",⁴⁹ yet, it is pushing this idea.⁵⁰

To justify this policy, the Bank presented the experience of other parts of the World as a part of the 1998 Review. One of the key examples was that of Chile.

The report says:⁵¹

In terms of practise, formal, managed water markets have come into use in a number of countries (e.g. Chile, USA, Australia.) These experiences show that markets offer a practical, tested alternative for the voluntary reallocation of water.

The Chilean experience, where such a system of tradable water rights has been established in 1981, is described in detail. This says that substantial economic gains were produced.⁵²

The report argues for putting in place a regime of tradable water rights in India, emphasising the example of Chile where "regulated water markets, based on an explicit water rights system, exist and

have reportedly proven to be effective as a means of allocating water resources to their most productive use..."⁵³

Yet, all this leaves some questions unanswered. Any such system, where market is the arbitrator, normally benefits the rich at the cost of the poor. In India, this would be a big concern. From the Bank's description of the Chilean experience as well as the way it is used at several places to justify this tradable water rights system, one would think that there have been no adverse impacts of the model. The only negative element among all the detailed descriptions of the Chilean experience at several places is just one line. This line states "There were some instances of high financial but low economic gains to society from some inter-sectoral trading".⁵⁴

Thus, in line with its Knowledge provider role, the Bank brings in this international experience and knowledge to advocate and justify the tradable water rights policy. By itself, there is nothing wrong in this, till we discover that serious negative experiences about the Chile model have been concealed and ignored in drawing the above recommendations.

As mentioned earlier, the Report on Intersectoral Allocations does not mention any negative element in the Chile model. However, we find a completely different angle to the Chile experience in a totally different report in the series.⁵⁵ The Report on Groundwater says:⁵⁶

According to some reports, the establishment of tradable water rights in Chile has encouraged efficient agricultural use and increased agricultural productivity per unit of water... Recent reports indicate, however, that the model encountered problems as well as successes.... Although benefits have accrued, significant negative impacts have been felt by farmers unfamiliar with legal processes or lacking the money to participate in markets for water (the poor). Significant conflicts have also emerged between different groups of users, and many social and environmental externalities have yet to be addressed....

The Irrigation Report, another in the series, says:⁵⁷

The main disadvantage, or risk, of the new system is monopolisation of water rights. A couple of power companies and a single individual have been accused of accumulating some 70% of all water rights in Chile.

Thus, the Report which deals with inter-sectoral allocations and which advocates tradable water rights as an important mechanism is totally silent on any negative impacts of the model, which the Bank is aware of. The Bank could argue that the negative impacts have not been concealed but have been given in another report in the same series. However, this is not good enough. It is important for both, the negative and positive impacts to be given at the point where the Chile experience is being used as an example to recommend a particular model.

We should keep in mind that the five reports have been prepared separately by separate teams and would often be read in isolation and not necessarily as a whole set. Clearly then, the team that prepared the Inter-sectoral Allocation report - the report that recommends trading in water entitlements, and the report most relevant to this issue - has ignored the serious negative impacts of trading in water rights in Chile. Is this because with the inclusion of the negative impacts, the justification of the same policy in India would be very difficult?

C. Justifying PSP in Urban Water Supply

The Water Sector Review 1998 makes a strong push for privatisation, or Private Sector Participation (PSP) in the water sector, especially urban water sector. The report on Urban Water Supply (UWSS report) recommends a strategy with three key elements:⁵⁸

- Democratic decentralisation - allowing municipalities to make the choices for water supply

- Commercialisation of urban water supply providers and private sector participation
- Market oriented financial systems

It also states that “tariff rationalisation” - setting tariffs to ensure full cost recovery, is a prerequisite.

The Bank has relied upon knowledge of international experiences to justify these policies. However, an examination of this knowledge shows significant parts of it are presented in misleading ways, or important information is ignored, or conclusions have been reached prematurely.

A major criticism against privatisation has been that it harms the poor the most, and this is the issue that the UWSS Report is at pains to defend.

It says:

It is important to dispel the misconception that PSP will affect the poor adversely.... Experience with recent concessions such as in Buenos Aires and Manila illustrate that, with efficiency improvements, better coverage of quality affordable services can be achieved (See Box 3.4)...⁵⁹

Box 3.4 in the report, titled “Private participation and the poor: International Experience” gives several cases of privatisation of urban water supply, showing how it results in tariffs decreasing, coverage increasing, service quality improving. The cases given include Metro Manila, Buenos Aires, Puerto Rico, Chile, Guinea, Trinidad and Tobago. Almost every one of these projects has faced serious problems, or subsequently collapsed, mainly due to problems of high tariffs, or failure to meet contractual obligations.

We look at some of the key claimed benefits of privatisation and the supporting international experience as presented in Box 3.4 and show how the claims of the World Bank in Box 3.4 are misleading, ignore conflicting information, or draw conclusions prematurely from

untested projects. We look at the claims separately for the three claimed benefits of privatisation - decrease in tariffs, increase in service coverage and improvement in quality.

It is important to keep in mind that the Bank's report was written in 1998. So first we indicate information that was already available in 1998 and compare it with the Bank's claims. We then also draw upon subsequent events. We place the original Box 3.4 below to show the kind of claims the Bank has made.

Box 3.4

Private participation and the poor: International experience

Tariffs: The efficiency gains from private sector participation often result in tariff decreases. For example, in Buenos Aires, tariffs were reduced by 17% following privatization. In Manila, the price reduction was around 50% for half the city, and 75% for the other half. In some cases where existing tariffs levels are below cost of efficient service providers, private participation need not result in tariff increases to the poor. Generally the efficiency gains of PSP are enough to counter tariff increase, enable subsidies to be reduced and service quality increased. In Puerto Rico, pre-existing implicit government subsidies were made explicit, and continued once the UWSS provider was in private hands. In Chile, a direct government subsidy is paid to poor households.

Coverage: Since many poor areas do not have piped services currently, system coverage is even more important than tariff levels. In the first three years of the Buenos Aires concession, water service coverage was increased by 9%, and sanitation coverage by 6%. In Manila, the

concessionaires are required to provide universal water service coverage, and a seven-fold increase in sanitation coverage, by the end of the 25 year concession period. In Guinea, the number of water supply connections was doubled in the 7 years following private participation. *Service quality.* Poor water quality leads to sickness. Unreliable supply increases the coping costs experienced by disadvantaged groups. Private management and finance can reduce these problems. In Puerto Rico, the private operator is required to comply with tough US environmental and drinking water quality standards, and is liable for large fines in case of default. In Trinidad and Tobago, the operator is paid a bonus for increasing the number of households with at least a 12 hour daily supply. Since private participation, Buenos Aires no longer suffers from water shortages in the summer months. In Manila, the concessionaires are required to comply with drinking water standards from the outset, and by 2000 to provide uninterrupted 24-hour service throughout the city.

*Reproduced from World Bank(1999f): 'Urban Water Supply and Sanitation'. World Bank, Washington D.C. and Allied Publishers Limited, Mumbai.(Page 36)

Comments on Claims in Box 3.4: International Experience

Claim of Box 3.4	Comment
<i>Efficiency gains from private participation reduce tariff</i>	
1. Buenos Aires -17% reduction after privatisation.	<p><i>The Bank did not tell us that prices were hiked before privatisation by the government in February 1991 by 25%, then again in April 1991 by 29%. In April 1992 a goods and services tax was added to water supply bills, which was set at 18%. This was further increased by 8% a few months before privatisation. These increases allowed the company to offer 27% "manufactured reduction" in costs to consumers within a few months of privatisation. In reality, the prices went up by 20%.^{60,61}</i></p> <p><i>Tariffs kept increasing even after this.</i></p> <p>.....</p>
2. Manila - 50% reduction for half the city and 75% for the other.	<p><i>Contract was finalised in 1997. Just before privatisation, in August 1996, the water tariffs in Manila increased by 38%.⁶²</i></p> <p><i>So the real reduction was lesser. Still, the tariffs bid by the private companies were significantly lower than the existing tariffs. But soon after signing the contracts, the tariffs started rising sharply.</i></p> <p><i>By 2003, tariffs had gone up by about 500%. In the West zone from 4.96 Ph Peso per cubic meter in 1997 to 24 PhP, and in the East Zone from 2.32 PhP in 1997 to 14 PhP. (Pre-privatisation rate was 8.78 PhP)⁶³</i></p> <p><i>The Bank's conclusion that tariffs were lowered due to privatisation in Manila was highly premature. The Bank was drawing conclusions from untested experiences as the project had barely started operation when the Bank report was prepared.</i></p> <p><i>In 2002, one of the two private contractors asked for a 100% tariff increase and when this was refused, it gave a notice of termination of contract in December 2002.⁶⁴</i></p>

Claim of Box 3.4	Comment
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3. Puerto Rico - Pre-privatisation subsidies were continued.

Need to continue subsidies indicates that efficiency gains - if any - were not enough to lower tariffs.

.....

Privatisation leads to increased service coverage

4. Buenos Aires - Water supply coverage up by 9% in first three years.

The private company was reluctant to invest in expansion to the poorer areas. Ultimately, a universal service surcharge was added on to all the consumers to finance these extensions. Over and above that, the materials for the extension were provided by the municipality, the labour by the community and company provided essentially the technical input. The service extension is a success "despite, not because of, the involvement of the private sector."⁶⁵

Moreover, the cost increases being borne disproportionately by the poor households, the non-payment for water and sanitation services reached around 30% with service cut-offs becoming increasingly common.⁶⁶

.....

5. Manila - Private operators are required to provide universal water service coverage by end of 25 year period.

A requirement imposed by the contract on the private service provider was already being cited by the Bank as proof that privatisation can provide better coverage, without even waiting to see whether it could and would be implemented. It should be recollected that the Manila contract was finalised in 1997, just the time that this Bank Review of India's Water Sector was being completed.

25 years for full service coverage is also not a very laudable target.

From 1997 to 2001 the population connected increased from 67% to 70%, still below the private operators target's for 2001, i.e. 77% for the east zone and 87% for the west zone.⁶⁷

Claim of Box 3.4

Comment

Connection charges remain prohibitive for majority of the poor households.⁶⁸

All this shows that the Bank jumped rather hastily to the conclusion that private sector can provide increased coverage.

.....

6. Guinea - Water supply connections doubled in 7 years of private participation.

The water supply connections did rise from 16,500 to 33,500 in 7 years of privatisation. However, the water prices went up 750% - with citizens paying more than the people of Paris, Milan and London, and 10,000 connections (a third of the total) were disconnected for non-payment.

So the connections increased, but a large number of these were "inactive".⁶⁹

.....

Private management and finance can reduce the problems of poor water quality and unreliability of supply.

7. Puerto Rico - In Puerto Rico, the private operator is required to comply with tough US drinking water standards.

In August 1999, the office of the Comptroller of Puerto Rico brought out a report severely criticising the services provided by the private water supplier, namely Professional Services Group (PSG), a Vivendi subsidiary.

In May 2001, another report came out which charged PSG with 3,181 deficiencies. The US Environmental Protection Agency (EPA) slapped a US\$ 6.2 million fine on Puerto Rico Aqueduct and Sewer Authority (PRASA), operated by the private company, for non-compliance with the US law.⁷⁰

To top it all the operational deficit of PRASA jumped threefold to US\$ 685 million. Vivendi had to go in May 2001, but replaced by Odebrecht. Soon, the company asked for additional US\$ 93 m, and in two years, the company was asked to go due to serious deficiencies in performance.⁷¹

Claim of Box 3.4	Comment
<p>10. Manila - Private suppliers required to comply with drinking water standards and by 2000, provide 24 hour supply throughout the city.</p>	<p><i>Even in 2003, the services in many parts of the city were poor with:</i>⁷²</p> <ul style="list-style-type: none"> ■ <i>weak water pressure</i> ■ <i>water supply for a few hours in the day</i> ■ <i>families having to wake up at midnight or dawn to store water since supply was not reliable and continuous, especially in populated and elevated areas</i> ■ <i>heavily silted water</i> <p><i>Water quality also remains a problem.</i>⁷³</p>

This is the reality of the “international experiences” that have been presented to paint a rosy picture of the benefits of privatisation and justify privatisation of urban water supply in India.

Interestingly, the example of Buenos Aires was used to justify privatisation in Manila. Then Manila and Buenos Aires, along with Guinea, Trinidad, Puerto Rico and others were used to justify privatisation in India by the Water Sector Review in 1998. Even in 1998, there was a host of critical information about these projects that the Bank chose to ignore. In case like Manila, the project had barely begun operating at the time of the Review, but the Bank was in a hurry to conclude about the great benefits it offered.

In the years following the review, almost each of these projects collapsed, and the private players exited - Trinidad in 1999, Manila (West) in 2002, Puerto Rico in 2003, Buenos Aires in 2005. Thus, even the limited benefits that had come from the privatisation in these cities, benefits that had come often at the cost of sharply increasing tariffs, were not sustainable.

What happens when a particular course of action is justified on the basis of certain ‘facts’, which later on prove to be quite the

Jumping to Premature Conclusions

Case of Orissa Power Sector Reforms as a Model for Irrigation Reforms

The World Bank's Water Sector Review 1998 suggests sweeping reforms in the irrigation sector, and says that "Power sector reforms in states such as Orissa contain many of the features ultimately desirable in irrigation." (World Bank 1999d: Page 42) Giving details, the World Bank says:

Orissa, as a pioneer among the States in India, is restructuring and substantially privatising its power sector. The government's ultimate objective is to withdraw from the power sector... and initiate competitive privately managed utilities to take over the operations...

This sector reform model should be seen by the irrigation sector as a comprehensive one, demonstrating a method for achieving sectoral restructuring, corporatisation, commercialisation, privatisation, competition, tariff rationalisation and autonomous regulation. These activities all directly pertain to the future of irrigation sector reforms in India. (World Bank 1999d: Page 89-90)

The Orissa power sector reforms were initiated in 1996 with the World Bank loan of \$350 million. Key part of the reforms was privatisation. Three out of four distribution companies were handed over to BSES and one was handed to an American company AES. AES also got the controlling interest in the generation company OPGC.

Recollecting that the World Bank's water sector review was written in 1997, it is obvious that the process of

power reforms had just begun in Orissa when the water sector review already presented it as a desirable model for the irrigation sector. Rather hastily, as subsequent events show.

Just within a few years it was clear that the Orissa model of power sector reforms had failed miserably and with disastrous consequences. In May 2001, the government of Orissa appointed a committee headed by Mr. Sovan Kanungo to comprehensively review the power sector reforms.

The Kanungo Committee Report points out that no benefits have resulted even after spending billions of rupees and 5 years. T&D losses, expected to come down to 21%, remained at 45% even after five years, bill collection efficiency dropped from 84% to 77%, the loan burden on Orissa government owned central transmission company GRIDCO increased from Rs 820 crores to Rs 3300 crores, i.e. four times, electricity tariffs increased sharply at the rate of 15% per year for several years, but the power sector continued to make losses of about Rs. 400 crores per year. The Private companies neither brought in additional capital nor made adequate provisions for working capital requirements as promised to the government.

Interestingly, huge expenses of Rs. 300 crores had been incurred as payments to foreign consultants for the reforms program.

The World Bank had suggested the Orissa example as a model for the irrigation sector to follow!

*(Kanungo committee details from India Power Sector Reforms Update Issue III - May 2002 published by Prayas. Pune http://www.prayaspune.org/energy/31_India_Reform_Update_May02.pdf Accessed on 20 Dec 2007)

contrary? Clearly, the need is to review the course of action. But the Bank has not revisited its recommendations. So what has it done?

First of all, there is an inferred or indirect admission that the Bank was wrong in its push for privatisation. There is talk about how too much was expected of privatisation - so the failure is of expectations, not of the private sector. Of course, the Bank conveniently forgets that these expectations were raised by its own claims made on behalf of privatisation.

In a presentation during the release of the World Bank's India Water Sector Strategy in New Delhi in August 2004, John Briscoe, then Senior Water Advisor to the Bank talked about the "naïve view of the role of the private sector" - that the private sector would take care of infrastructure investments.⁷⁴ In an interview to the International Consortium of Investigative Journalists, Keshav Varma, Senior Water Supply official for the World Bank in Asia said that "dissatisfaction with privatisation was caused only by high expectations".⁷⁵

This is tantamount to rubbing salt into the wounds. First, the Bank pushes a particular strategy. This results in not just lost time and opportunity, saddles countries with huge debts, but also causes great trauma and misery, with hundreds of thousands of people affected by high tariffs and disconnections. Then, the Bank says, "May be we were a bit wrong there". And then continues to promote the same policies of privatisation and corporate control and profits, may be with a somewhat changed rhetoric or language. Privatisation is now replaced by the Public Private Partnerships, which in reality means that the risks and costs are borne by the public and the profits go to the Private. And again, we have a host of knowledge products, tomes of consultancy reports, heaps of international experience to justify this new panacea!



The Case of PPIAF

Engineering Consensus on Privatisation by Hiding Inconvenient Facts

THE PPIAF - Public Private Infrastructure Advisory Facility has been set up with the express purpose of promoting privatisation in infrastructure. The PPIAF describes itself thus:⁷⁶

The Public-Private Infrastructure Advisory Facility (PPIAF) is a multidonor technical assistance facility aimed at helping developing countries improve the quality of their infrastructure through private sector involvement. ... PPIAF pursues its mission through channeling technical assistance to governments in developing countries on strategies and measures to tap the full potential of private involvement in infrastructure and identifying, disseminating, and promoting best practices on matters related to private involvement in infrastructure in developing countries.

In other words, it is fully dedicated to production and dissemination of knowledge to promote privatisation. The PPIAF is managed by the World Bank.

The PPIAF categorises its support into several different Types. Among these categories is a very interesting category of assistance - 'Consensus Building'. The rationale behind this seems to be clear. There is huge opposition to privatisation of infrastructure, especially water. PPIAF aims to diffuse the opposition and create agreement on privatisation as part of the effort to fulfil its mandate. Describing this category, PPIAF says:⁷⁷

Consensus Building

Sector reforms that expand the role of the private sector ... can bring broad benefits to society. But without the understanding, cooperation, and commitment of a range of

stakeholders-consumers, service providers, government officials, politicians, trade unions, nongovernmental organizations, and domestic and foreign investors-change will not be possible, whatever the long-term benefits. To engage these groups, PPIAF has supported consensus building activities ranging from workshops and seminars to study tours and public awareness campaigns.

On 24 November 1999, the PPIAF approved a Consensus Building grant of US\$ 55,000 to India for "Private Involvement in Water Supply and Sanitation".⁷⁸

Certainly, it is important to strive to build a consensus, but can one have a consensus building process with a pre-desired, pre-determined outcome? Can one get "understanding, cooperation, and commitment of a range of stakeholders" when one has already decided the conclusion, a conclusion about which one knows that many stakeholders are highly apprehensive?

Unfortunately, PPIAF's Consensus Building Projects in general, and the India one in particular, are doing precisely this. The reason is simple - PPIAF's mandate clearly means that the desired end result has to be Private Sector Participation in infrastructure. The India project was precisely so titled.

So how does one build a consensus on an approach whose benefits are hotly disputed? The answer seems to lie in the selective use of knowledge.

With the PPIAF grant, and a co-financing of US\$ 56,000, the Ministry of Urban Affairs, Govt. of India and the World Bank organised a Seminar on Private Sector Participation In Water And Sanitation on February 7-8, 2000. The objectives of the Seminar were clear:⁷⁹

... to seek ways in which the private sector could participate with the public sector in bringing an end to this crisis in water supply and sanitation.

Further,

More than 200 delegates from Centre, States, municipal authorities, private sector and bilateral & multilateral agencies attended the seminar to discuss presentations on the international and Indian experience on the use of private sector to assist in the financing and managing of water supply and sanitation investments.

Nearly 40 experts of international agencies/private operators attended the seminar.

In fact, out of the total 134 participants, 44 were from state governments and municipalities, 27 from central government, 41 international and 22 from the World Bank. Almost like “Each One Teach One”!

The program showed that over half the presentations were made by the private water industry and the World Bank. More importantly, the only experiences presented seem to be the positive ones. The Conclusions provided to us by MoUD say:

The private sector experience which has already been tried in Latin America, Africa and the Philippines was discussed during the seminar. The success stories in Argentina and Chile in Latin America; Senegal and Cote d'Ivoire in Africa and in Manila were discussed during the seminar.

Note that only the “success stories” seem to have been presented. Even by the year 2000, when the seminar was held, there were many serious issues with privatization of water supply and sanitation. In Argentina itself, the privatization of water supply in Tucuman province in 1998 collapsed when Aguas del Aconquija, controlled by France's Vivendi, abandoned its concession contract due to legal wrangling over different interpretations of the contract, and public protests over tariff hikes. Problems had begun in Manila. Trinidad had refused to renew the privatisation contracts after 1999 due to unsatisfactory performance. Several contracts in Malaysia were terminated in 1996

and 1997 due to poor services by the private contractors. In 1998, Pune had attempted to implement privatisation of its water supply (a Rs. 740 crore project) but this had to be cancelled due to lack of political support. Yet, none of these case studies seem to have been discussed.⁸⁰

Moreover, many serious questions were being raised around that time about the impacts of privatisation on tariffs, on the poor, about the actual performance of the private sector in terms of efficiency, delivery and in general the approach of privatisation in water supply sector was being fundamentally challenged. None of the groups or people raising such issues seem to have been called for this Seminar.

In other words, examples, experiences or people that raised any doubts, any issues about the desirability of privatisation in the water supply sector were left out of the meeting. Only the rosy picture seems to have been presented.

Not surprisingly, the seminar reached consensus about the need to introduce privatisation in water supply. Its Conclusions state:

The seminar concluded that there are many private sector participation options and that each city and each State will have to select the one that is best suited.

The seminar consensus is that regional workshops should now be organized in cities or States to encourage private participation for better efficiency and service quality.

This is clearly a case of engineering consensus towards a pre-determined conclusion by concealing inconvenient facts, of Knowledge carefully selected to fit the desired agenda.



Undisclosed Study Justifies Large Dams

A LITTLE BACKGROUND would be necessary to understand this example.

Falling Support to Big Dams

The 1980s and 1990s saw the growth of a large number of intense struggles against large dams all over the world. Many of these struggles came together to form powerful and extensive transnational alliances. The World Bank, as the largest single financier of large dams, was a prime target of these movements. The World Bank came under severe pressure and its lending for large dams fell sharply. Whereas the World Bank financed 3.5% of dams constructed in the 1970s, this fell to less than 1% in the 1990s.⁸¹ Dam building globally also saw a downward trend. According to one estimate, the average number of dams built per year in the main dam building countries dropped from a high of 443 during 1975-1990 to 300 after 1990.⁸²

Alarmed by this, the Bank, along with the International Union for Conservation of Nature (IUCN), initiated the World Commission on Dams (WCD) in 1998 to review the development effectiveness of the large dams. The WCD report (released October 2000) was a strong indictment of large dams and upheld many of the issues being raised by those challenging large dams.

Fearful that this could further impact the construction of large dams, there was strong reaction to the WCD report from several Governments, especially those countries with significant large dams program. The World Bank too did not accept the report. According to the Bank, these Governments were concerned about "the reduction

(prior to the WCD) in World Bank support of dams”⁸³ and were afraid that this would further fall in wake of the Report. So these countries started pushing for renewed World Bank support for large dams.

The Bank itself was possibly not averse to this, considering that its support for large dams had declined only due to pressure. However, the Bank did need to provide some justification for any renewed and increased assistance, especially in view of the report of the WCD. Here again, Knowledge Creation was one of the important means used by the Bank.

Knowledge Creation to Counter WCD

A part of the Action Plan initiated by the Bank as a follow up to the World Commission on Dams (WCD) was the commissioning of studies of four dam projects in the world under the name of “Multiplier Effects of Large Dams”. The justification given was that the WCD itself recognised that “A simple accounting for the direct benefits provided by large dams... often fails to capture the full set of social benefits associated with these services. It also misses a set of ancillary benefits and indirect economic (or multiplier) benefits of dams project”.

The topic chosen - to show that total impact of dams was much bigger than the visible, direct impact, and the dams chosen - dams which have a larger than life image, clearly indicated that the effort was to ensure that dams came out looking good. This was to try and offset at least to some extent the damage done by the WCD findings to the image of dams. Clearly, Knowledge Creation was to be used as a tool to counteract the WCD report - itself a product of painstaking work of several years of knowledge seeking and creation.

By itself, this is not objectionable. But what is interesting is how the Bank went about creating this knowledge.

The Bhakra Dam Study

One of the dams selected was Bhakra Nangal project built in the 1950s in the north Indian states of Himachal Pradesh, Punjab and Haryana. The Project includes a 550 feet high dam on the river Sutluj at Bhakra, a barrage at Nangal, left bank and right bank power houses and an extensive canal network.

The Bhakra Nangal project has become a legend in India. It is credited, variously, with solving India's food problem, making India self-sufficient in foodgrains production, making Punjab and Haryana highly prosperous and surplus states and so on. Interestingly, there were no studies that tried to put estimates in place of the general assertions for the project's claimed benefits, nor were there any assessments of the social, environmental and other costs of the project. The contribution of the Bhakra project was assumed to be self-evident. Such is the image of the project in the Indian psyche - Jawaharlal Nehru, India's first Prime Minister had called it the secular temple of modern India - that people unquestioningly accepted all the claims made for the project.

In India, when an important political figure has to fight a crucial election - an election that he or she cannot afford to lose - then a 'safe' constituency is selected. If the Bank was looking for a 'safe' project to study - it could not have chosen a better project in India. If it was looking for a big dam project where there was greatest assurance that the findings would be positive for dams, this was probably the project.⁸⁴

The selection of the project to be studied itself is the first problem in this process of Knowledge Creation. The selection itself was made with a view to ensure a particular result.

Not surprisingly, the results of the Bhakra study, carried out by Ramesh Bhatia and Ravinder Malik extolled the great benefits from

the project. This study was then used by the Bank in India as a justification to go in for more dam building.

In 2005, the Bank's New Delhi office brought out an extensive study on "Strategic Issues in India's Water Sector" which later came to be known by a somewhat more catchy name "India's Water Economy: Bracing for a Turbulent Future". Among other things, this report called for a dramatic increase in building large dams in the country. It said that there is:⁸⁵

A need for large investments in water storage... major investments need to be made to increase capacity to store water, in both surface and groundwater reservoirs, in projects small (such as local rainwater harvesting) and big (such as large dams).

But how to justify more large dams against the background of the serious issues raised by many including the WCD report? This is where the Bhakra study has been used as a key argument.

First of all, the Bank argues that the benefits of dams have been underestimated.

The report (Turbulent Future) enumerates the benefits of large dams (irrigation, hydropower, industrial growth etc.) and says that "important as these direct effects are, they tell only part of the story of the impact of major infrastructure".⁸⁶ The direct impacts result in many indirect benefits like "increased output of some agricultural commodities encourages setting up of food processing (sugar factories, oil mills, rice mills, bakeries) and other industrial units."

The Bhakra Study is now used as evidence of the large indirect benefits..

A recent, major study by Ramesh Bhatia and Ravinder Malik has [made] an... assessment of the impact of the Bhakra Dam.... The study found that the direct benefits were higher than anticipated when the dam was built and that the dam did, indeed, serve to transform this region of India. For every 100 rupees of

direct benefits, Bhakra generated 90 rupees of indirect benefits for the regional economy and ripples well beyond the region.⁸⁷

The issue of the inequitable distribution of the benefits of large dams is another particularly important one.

The Bank says that though a major criticism of large dams is that they benefit the relatively better-off landowning households and non-land-holding and poor households are left out, there is evidence that “reveals a quite different reality”.

This evidence is again provided by the Bhakra study - which the Bank calls a “sophisticated analyses”. The Banks says that this study:

... shows that the rural poor have benefited hugely from the project. (And this analysis, being confined to the regional economy, does not include the benefits for the very poor and on seasonal migrants from Bihar, or the urban poor who benefited from lower food prices.)

..shows that it was the indirect effects which had the major impact on urban areas (and therefore on urban poverty reduction).⁸⁸

In general, the Bank concludes by saying that:

... the record is overwhelmingly clear - investments in water infrastructure in India have resulted in massive reductions in poverty, and it is actually the poor and landless who have been the biggest beneficiaries.

Large part of this conclusion is based on the Bhatia-Malik study of the Bhakra dam.

Thus, the Bhatia-Malik study of the Bhakra dam is a key Knowledge item produced by the Bank to show that large dams bring massive benefits and that the poor are the biggest beneficiaries. The World Bank has then used this to argue for and justify a big increase in building large dams in the country.

Study Remains Undisclosed

It is interesting, then, that a study which is key to so many of the Bank's conclusions and arguments, is still not in the public domain! The study has not yet been published, and preliminary publications of the study available in public domain merely give the findings, not the detailed methodology, data and assumptions. The Bank wants everyone to take the findings of the study as a matter of faith.

The report "Turbulent Future" was brought out in June 2005.⁸⁹ The Bhatia-Malik Bhakra study had not been published as of the time these lines are being written - August 2007, that is, a full two years after the Bank had been making many claims based on it, and using it widely to justify more large dams. Peers, public, policy makers all have had to take these claims on face value as they have not been able to examine the data, assumptions and methods used by the study.⁹⁰

Producing and using knowledge to justify and push big dams - but not allowing anyone to examine this knowledge: is this not tantamount to saying "Big Dams are Good, Because I Say So?"⁹¹



The Brain on the Plane

International Consultants Writing Public Policies and Strategies

"Traditionally, the [World] bank thought that the important knowledge was 'the brain on the plane': the bank officer or consultant who flew into a country to give locals the benefit of their superior expertise".

James Wolfensohn

then President of the World Bank

At the 2003 Knowledge Forum organised by the Bank

.....

"EIGHT YEARS AGO, the bank thought it didn't have a lot to learn from poor people, from indigenous people" continues Mr. Wolfensohn's confession.⁹² Unfortunately, things have not changed much. Highly paid Bank staff and exorbitantly priced consultants - especially international consultants - seem to be the key creators of Bank's knowledge. And local people - poor, indigenous, or otherwise - remain conspicuous by their absence.

Consultants are being used by the Bank at every stage of its knowledge creation exercise. When we asked the World Bank's New Delhi office for a list of consultants involved in the analytical and advisory activities (AAA), we were told that:⁹³

Consultants are hired by several teams for AAA and other tasks and may run into hundreds.

Clearly, there are so many of them that even the Bank does not bother keeping a centralised listing.

There are three important stages where consultants are being used.

The first is at the AAA level, where consultants are being called in mainly to prepare sector level assessments, address key policy issues or carry out broad thematic level work. Examples would include the 1998 Water Sector Review or the 2005 “Strategic Issues in India’s Water Sector” (later called “India’s Water Economy: Bracing for a Turbulent Future”).)

The next stage is preparatory work for specific projects. Examples include the ‘Delhi Water Supply and Sewerage Project - Project Preparation’ study by Price Waterhouse Coopers carried out in 2004. The last stage is when consultants are engaged to carry out specific tasks as a part of implementation of various projects. But this is often the least important stage as the key policy decisions have already been made at the earlier two stages, and at this stage mostly the work on actualisation is to be carried out.

Let us see how consultants are writing public policies with an example from Madhya Pradesh.

MP Water Sector Restructuring Project

In 2004, the World Bank sanctioned a loan of US\$ 396 million for a project called Madhya Pradesh Water Sector Restructuring Project (WSRP). As the name suggests, the project is aimed at a full scale transformation of the water sector in the state. This transformation effects sweeping policy changes in the water sector in M.P. in line with the Bank’s larger policies of Liberalisation, Privatisation and Globalisation. The Bank’s Water Sector Review in 1998 had already laid the grounds for this kind of transformation.

The WSRP has very interesting roots. They illustrate not only

how the Bank and consultants operate to create knowledge, but also how the Bank works in close coordination with other agencies like the Asian Development Bank (ADB).

In 2001, the ADB sanctioned a Technical Assistance grant (TA) of half a million dollars to the Government of Madhya Pradesh to prepare an Integrated Water Resources Management Strategy. This amount of US\$ 500,000 was actually a grant from the British Government (through DFID) to the GoMP routed through and administered by the ADB. The contract to prepare this Strategy went to Halcrow, a British consultant. So the first achievement of the TA was that British 'aid' money went back to support a British company, fairly typical of World Bank and ADB projects.⁹⁴

ADB decided to coordinate this TA with the World Bank which had just initiated preparatory work on its Water Sector Restructuring Project for the state. As per the ADB, "The WB defined the scope of its project preparatory studies in coordination with the work plan of the TA in early 2002....Intensive coordination was maintained with the WB so that the TA output could be effectively fed into WSRP."⁹⁵ In other words, the TA effectively became a part of the process to prepare the World Bank loan.

This TA illustrates the process of creating 'knowledge' or 'analysis' to push a pre-determined policy package.

The TA consultants were given very clear indication by the ADB of what kind of output 'strategy' was expected of them. The ADB's Project document for the TA, in describing the rationale for the project, talks about the need for structural and institutional changes and asserts that "ADB's water policy will provide effective guidance to these processes." ADB Water Policy, *Water for All* had been released in 2001, and virtually mirrored the approach of the World Bank. Since ADB's water policy talks essentially about privatisation and

commercialisation of the water sector, the direction expected for the final water management strategy was clear.

Nor was ADB disappointed. As ADB's Project Completion Report for the TA states.⁹⁶

The TA delivered all envisaged outputs..... These outputs were defined broadly, but comprehensively and consistently with ADB's Water Policy...

The TA analysesfollowed the approach promoted in ADB's Water Policy...

These outputs provided a basis for the ... reforms and priority investments, which are now being implemented under the WSRP that was approved in 2004.

The WSRP - with measures like full cost recovery, elimination of subsidies, retrenchment, tariff increases, creation of a water regulatory commission to determine tariffs and privatisation of irrigation projects - is set to convert the water sector into a market with full commercial operation.

Who Creates the Knowledge

The TA put the entire process of developing the integrated water management strategy in the hands of consultants, led by Halcrow.

It might be good to pause and ask a question here - why do we need a British consultant who does not know the language, the people, and the land to develop the water resources management plan? We have many organisations and individuals in India, in Madhya Pradesh with the expertise and experience, and with the knowledge of local situation as an added advantage. The choice of a British consultant is typical of the 'brain on a plane' approach. The Halcrow team was led by an "international water resources management specialist" living in Geneva.

Foreign consultants are also valued more than Indian counterparts - a continuation of the fetish for the 'brain on a plane'. International consultants were to be paid roughly US\$ 21000 per month while Indian counterparts were to be paid about US\$ 4700.⁹⁷ The selection and recruitment of the key consultants was to be done not by GoMP but by the ADB "in accordance with ADB's Guidelines on the Use of Consultants and other arrangements on the engagement of domestic consultants satisfactory to ADB."⁹⁸

A more important issue is why should the development of such an important strategy be left only to consultants, whether foreign or Indian? A water management strategy for a state where overwhelming proportion of the population depends on agriculture should emerge out of a process of debate and discussion with mass participation.

The Farce of Participation

The TA called for active engagement of stakeholders, organisation of three stakeholder workshops and several meetings in various river basins. However, at best, the nature of this engagement made the involvement of the stakeholders superficial as they were to merely comment on the drafts prepared by the consultants.

The experience of these 'consultations' shows it's farcical nature.

As per the TA agreement, the consultants had to prepare an inception report

which is the document containing the consultant's understanding on the development context of the State and various issuessuch as detailed methodology to execute the TA.⁹⁹

The consultants then had to

arrange a workshop to discuss the inception report so as to consolidate more elaborately the terms of reference.

The Contract with the consultants had been signed on 2nd May 2002, the work started by them on 23rd May 2002 and the inception report had been submitted on 16th July 2002 and was sent to various line departments for their comments on 18th July 2002. The workshop to discuss it was held on 23rd July 2002. Thus, only 4 days were given to the various departments to study a report that was critical to finalise the methodology and other issues.

In the workshop, 7 out of the total 38 participants were NGOs, mostly from Bhopal, the state capital; two were journalists, and rest were Government officials (19), consultant staff (9) and one World Bank representative. However, even for the officials present it was not a happy experience. A note by the Chief Engineer, Water Resource Department on the Workshop states:¹⁰⁰

The presentation of the Inception Report by M/s Halcrow, consulting firm was limited....As the presentation was inconsistent with the objectives, it could not fetch participant's interest on many issues...

Some of the Chief Engineers of the department were also present in the Workshop but since they didn't have the copy of the draft inception report with them in advance, they were not prepared for expected input. Similar was the case with NGOs...

It is experienced that the time given to go through the inception report was inadequate for the line departments.

In other words, the consultation had been carried mostly as a ritual.

This author (Shripad Dharmadhikary) had an even more strange personal experience with the consultations carried out under the TA.

In December 2002, this author received a letter from Halcrow informing him that the GoMP and ADB had asked it to form a "consultative body drawn from civil society to work with Government as it begins to shift" its approach of managing the water sector under

the above mentioned TA. He was also informed that he / his organisation was included in a 'long list' of potential participants. He was asked if he was interested in the process, and was to respond within a few days.¹⁰¹

The letter to the author was dated 28 Nov. 2002, and was received on 5th December. If interested he was asked to respond to several queries and the response was to be received by Halcrow by 6th December!

Interestingly, the letter said that:

At the express wish of Government and the ADB, this invitation is not limited to 'friendly interests'. On the contrary we have been specifically asked to include some of the Government's more active and vocal critics in this exciting and timely initiative. Accordingly, for those of who (sic) consider yourselves to be 'in the other camp', please do make it clear in your response why your dissent is important.

This author sent in the responses to the queries and expressed interest to be a part of the process, but also raised the issue of the short notice; he also asked a few questions of his own about the process. This set off a series of exchanges, with the person from Halcrow starting with a highly condescending, patronising letter that could barely hide his disgust and dislike for the critics. Halcrow's response to the short notice was also interesting:¹⁰²

Finally, I note your point about the late despatch of the letter of invitation. This was intentional, any respondent with existing expertise and opinions would be able to respond instantly, to allow a longer response time would render a potentially useful initiative little more than a bandwagon for anyone that took time to bone up on the jargon and buzzwords.

This author was ultimately called for the meeting, but again with such a short notice that he could not attend. He requested Halcrow to keep him informed, but he never heard again from them - about what

transpired at the meeting and whether any consultative committee was ever set up.

Another person, representing *Jal Biradari*, a loose network of groups working on water related issues in the state, was also invited and could attend as he is based in Bhopal. He reports about the meeting.¹⁰³

A meeting was organised by Halcrow Water at Nur-us-Saba, a posh hotel of Bhopal to present and discuss the report prepared by Halcrow entitled "Madhya Pradesh Integrated Water Resources Management Strategy ADB TA 3715-IND. Volume 2: Integrated Water Sector Profiles." They invited me to participate in it, as an associate of *Jalbiradari*, Madhya Pradesh.

When asked for the document for some preparation, they gave me a copy of the document of 102 pages typed in 8pt font just a couple of days before the meeting. It was not possible to go through the entire document full of technical details and analysis in such a short period.

Most of the participants were representatives from Govt. Departments and from ADB.

Representatives of a few NGOs, including me, were also invited, but hardly any NGO, other than that of mine, had water/irrigation in their agenda.

Entire proceeding was in English that too was not audible properly due to defective sound system. Since most of the NGO reps. were not comfortable in English, they failed to understand the proceedings.

Not a single NGO was given time to express its views.

There was nothing as discussion, simply one sided presentation by the organisers. It seemed that the sole motive of the organisers was to show that they have invited the NGOs for participation and have had their views.

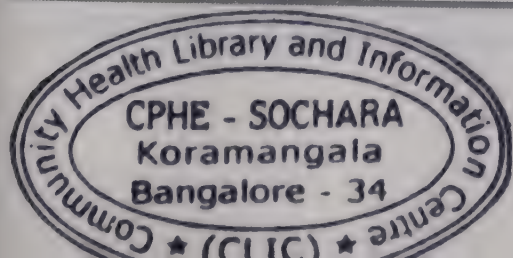
No body did ever get back to me after that meeting.

Even the Final Report seems to have comments only from the Government and ADB, as per ADB's Project Completion Report.¹⁰⁴

The key input into the whole TA process, outside of Government, ADB and consultants seems to be "useful lessons from a range of ongoing interventions assessed and presented through a participatory survey undertaken by locally engaged non-government organizations, covering the perceptions of the poor". Documents obtained by Manthan under the RTI indicate that these NGOs were actually engaged as paid consultants for carrying out the surveys.

This TA is typical of what happens. Critical policies, plans and strategies are being written by heavily paid consultants. The desired outcome is already indicated, and it is no surprise that these consultants come up with plans that incorporate the privatisation and commercialisation package. Communities, local knowledge and local expertise are ignored - as is any knowledge that goes against the desired outcomes, what Halcrow calls "the other camp". At best, there is superficial engagement.

Madhya Pradesh is not an isolated case. Water sector restructuring programs, water management strategies in large number of cases are being drawn up by consultants - mostly foreign - in many states supported by the World Bank, ADB and bi-lateral funding agencies. The Delhi water reforms package was prepared in 2004 by Price Waterhouse Coopers (PWC) with World Bank funding. PWC also prepared the Position Paper on Water as a part of Infrastructure Development Action Plan for Chhattisgarh, and it also prepared the draft bill for the water reforms Act for Delhi. Castalia is preparing the plans for privatisation of Mumbai's water supply under the name of Water Distribution Improvement Project. Bangalore BOT water supply project was prepared by WS Atkins. The Scoping study for Orissa Water Resources was done by Scott Wilson Kirkpatrick & Co. Limited. The Water Sector Review of 1998 by the World Bank involved many consultants. These are only some examples from the water sector out of the hundreds of consultancies being used by the Bank to 'create'



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knowledge. As seen in the TA in Madhya Pradesh local knowledge and expertise is left out of the whole process.

How Are the Consultants Selected?

All this raises the question - are these consultants selected because they have some superior expertise on the issue at hand? Or are there other considerations?

One consideration is clearly the ability - or readiness - to produce knowledge that will be in consonance with, justify and promote a predetermined set of policy prescriptions.

The country from where the funds to support the project originate seems to be another important criteria for the selection of the consultants! Take the Water Sector Review carried out by the World Bank in 1998. One of the key consultants for the Ground Water Report of the Review was a Dutch consultant. The Report was partly supported by the Royal Netherlands Embassy. The Rural Water Supply Report of the Review was partly supported by the Government of Denmark (through DANIDA -Danish International Development Assistance) and some of the key consultants were Danish. Funding for the consultants for the Urban Water Supply Report of the Review came from the British Government (DFID) and the Netherlands Government. Not surprisingly, London Economics, UK was one of the major consulting organisations involved in the preparation of the report with four consultants in the team, while another consultant came from the Netherlands.¹⁰⁵

It is an open secret that the assistance given by 'aid' agencies of several countries often flows back to them via consultancies and other contracts generated under the projects.

A study by the World Development Movement, London has painstakingly put together evidence to show that:¹⁰⁶

Under the guise of what is called 'technical assistance' DFID

is using aid money to pay range of largely UK - based consultancy firms to prepare the ground for privatisation of water and sanitation in developing countries.

And what is the record of these agencies?

A look at the projects and programs where these consultants have been involved either in design, management or in advisory capacities shows that many of these have failed or have been facing tremendous public opposition. For example, Halcrow has been involved in the privatisation of water supply in La Paz and El Alto in Bolivia, projects which have collapsed.¹⁰⁷ It has also been involved in water privatisation projects in Ghana and South Africa which are now facing strong public opposition. The Bangalore BOT project designed by WS Atkins has been shelved. The Samut Prakarn Wastewater Management Project, Thailand where it had been involved both, in planning and management is one of the most disastrous examples of the failure of a development project. Castalia has been involved in the water privatisation projects in Trinidad and Tobago and Metro Manila. In the former, privatisation was terminated by Government, while the latter is one of the most glaring examples of the failure of a showcase project. Castalia called the privatisation of water supply of Conakry in Guinea, designed by it as a success.¹⁰⁸ This is a project where the unaccounted for water went up from pre-project 40% to 47% after the project was implemented, the water prices went up 750% - with citizens paying more than the cities of Paris and Milan, and 10,000 connections (a third of the total) were disconnected for non-payment!

This list gives only some examples and is by no means comprehensive. If one considers that there has been extensive failure across the world of water privatisation projects and reforms leading to commercialisation,¹⁰⁹ and the fact that almost all of these have been designed by such highly paid international consultants, then one can imagine what the complete record of these consultants is really like.

How PriceWaterhouseCoopers (PWC) got the contract in Delhi to prepare the Water Reforms Package for Delhi

- Delhi Jal Board (DJB) approached World Bank for a water sector loan in 1998.
- World Bank suggests hiring a consultant, who would tell DJB what to do.
- The Bank offered 2.5 million dollar (Rs. 12 crore) loan to DJB for hiring the consultant.
- DJB invited Eols, 35 consultants applied, 6 of them were short listed. PWC was ranked 10th
- PWC was brought up from 10th to 6th position, by treating it as an Indian company under Bank issued guidelines.
- Technical and financial proposals were invited from the six short listed companies.
- When the technical proposals were evaluated by the committee as per World Bank criteria, PWC scored less than 75%, and again failed. Only Deloitte of USA and TAHAL of Israel got more than 75% marks.
- The results were sent to the World Bank for "no objection", but the Bank was not satisfied.
- The Bank directed DJB to change the criteria and sub-criteria of evaluation and do a re-evaluation.
- DJB shocked, passed a resolution to request World Bank to reconsider its position. But the Bank refused.
- The Bank "suggested" to DJB to reject all bids, return all the proposals and call for fresh proposals. DJB had to comply.
- Fresh bids were invited. A new Evaluation Committee was formed. The new committee was careful this time. At every step, they obtained Bank's approval.
- The Bank interfered in the formation of the Committee. The composition, structure and procedures were all laid down in great detail by the Bank.
- However, PWC again failed to get pass marks. The Bank was again dissatisfied. It called for the detailed scores given by each member of the committee.
- The Bank demanded that scores given by one of the evaluators Mr. RK Jain, be dropped because they were at considerable variance with the evaluations made by other evaluators.
- DJB was "requested" to recast the scores accordingly.
- DJB obliged and PWC came out the winner.

*Prepared by Manthan based on information from Parivartan, New Delhi. Based by Parivartan on Official Documents Obtained under Right to Information Act. See also Parivartan's website - www.parivartan.com

In sum, one of the key means used by the Bank to create knowledge is highly paid international and national consultants. The knowledge produced by these consultants is - not surprisingly - in coherence with the Bank policies, and it justifies and promotes a predetermined set of policy prescriptions - mostly those of commercialisation and privatisation. In this process, all other forms of expertise, knowledge, local and traditional understanding are ignored. Even after all this, the projects and programs emerging from these show a high degree of failure, and face tremendous opposition from the common people. Yet, the Bank keeps going back to these consultants because it is an assured - and probably the only - way of creating knowledge that will support its agenda.



An Overall Critique

Bank researchers have also done extremely visible work on globalization, on aid effectiveness, and on growth and poverty. ... But the panel had substantial criticisms of the way that this research was used to proselytize on behalf of Bank policy, often without taking a balanced view of the evidence, and without expressing appropriate skepticism. Internal research that was favorable to Bank positions was given great prominence, and unfavorable research ignored.

Abhijit Banerjee et al

An Evaluation of World Bank Research, 1998 - 2005

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THE EXAMPLES discussed earlier are not merely anecdotal. Rather, they are typical of the way knowledge is produced and used by the Bank.

An Independent Evaluation

The Senior Vice President and Chief Economist of the World Bank requested an independent evaluation of all research activities carried out by the World Bank between 1998 and 2005. The evaluation was carried out by a panel consisting of Angus Deaton (Chair), Princeton University; Kenneth Rogoff, Harvard University; Abhijit Banerjee, M.I.T.; and Nora Lustig, Director of the Poverty Group at UNDP. The Panel in turn took assistance of a team of highly qualified experts.¹¹⁰ This independent evaluation, published in September 2006 shows that the issues our examples have highlighted are not rare or infrequent occurrences.

The Evaluation had substantial praise for the Bank's research, but it also has very serious criticism. Some of the important points made by it include:¹¹¹

Much of what we read was of very high quality, was directed toward issues that are of great importance to the Bank, and was executed to the highest standards of the profession. ... Its research has had a major effect on the way that development issues are discussed by practitioners, policymakers, and academics.

At the same time, we found a number of deficiencies.

A small fraction of prominent Bank research is technically flawed and in some cases strong policy positions have been supported by such (non) evidence.....and the panel believes that, in some cases, the Bank proselytized selected new work in major policy speeches and publications, without appropriate caveats on its reliability.

There is remarkably little work co-authored by non-Bank researchers from developing countries.

One criticism that was made repeatedly is that research tended to jump to policy conclusions that were not well-supported by the evidence.

These are serious issues indeed. Equally important are the extensive criticisms of specific studies that have had great influence on developmental policy and thinking and it is worthwhile to look at them in more detail.

... the evaluators and the panel were less concerned with flaws in the lower level and non-influential work than with flaws in some of the higher profile papers, including some of those that were praised on grounds of widespread influence and relevance to the Bank's mission.

Globalization, aid, and poverty

All of this work [of the Bank on globalisation, aid and poverty] has had an enormous influence on the intellectual debates about

globalization and poverty reduction and, to many around the world, it is seen as defining the World Bank's position on these issues, as well as establishing the Bank's intellectual leadership in the globalization debate.

....however, we see a serious failure in the checks and balances within the system that has led to Bank to repeatedly trumpet these early empirical results without recognizing their fragile and tentative nature. As we shall argue, much of this line of research appears to have such deep flaws that, at present, the results cannot be regarded as remotely reliable, much as one might want to believe the results. There is a deeper problem here than simply a wrong assessment of provocative new research results. The problem is that in major Bank policy speeches and publications, it proselytized the new work without appropriate caveats on its reliability. Unfortunately, as one reads the research more carefully, and as new results come in, it is becoming clear that the Bank seriously over-reached in prematurely putting its globalization, aid and poverty publications on a pedestal. Nor has it corrected itself to this day.

Similar issues with other influential studies related to growth and poverty, pensions, infrastructure etc. also discussed. Later, referring to these examples, the Evaluation calls this the area with

...the most widespread and troubling issues. Enormous problems can occur when not-very-robust research results are sold as irrefutable truths to the countries in the form of policy advice, technical assistance or as part of the conditionality of the lending programs.... Even when the underlying research is valid, the Bank's desire to get out a message through external communications can give the impression of crisp black and white results, with too many important nuances lost.¹¹²

It should be kept in mind that all the above is in the context of the Bank's research (as against the economic, sectoral and thematic work, the country level assessments, project preparation studies etc.). Given that research is subjected to more rigorous reviews than the other analytical work, we should find that these problems would be even more widespread in the latter case. Moreover, these other Knowledge

products are used more directly for policy advice and justification, and we find all the problems - selective use, not-very-robust results being sold as irrefutable truths, and jumping to (pre-desired) conclusions not warranted by the evidence.

An important evidence of this with direct relevance to India comes from an internal memo of the Bank. This memo, from the Senior Water Adviser based in New Delhi, dated December 11, 2001, talking about the Bank's knowledge work in the water sector, is self-explanatory:¹¹³

THE BANK'S ROLE IN KNOWLEDGE: The Bank has done a lot of sector work on water in India, including, in recent years, the largest single piece of sector work in the Bank. [This refers to the Water Sector Review 1998] This work, together with WBI work, has helped raise awareness of the water resource challenges in India and in some cases has helped to move the focus of debate towards important reform issues and new approaches. But the analytic work has had serious flaws. A first important shortcoming is that there has been little critical assessment of the Bank's own (considerable) role. The Bank's role is (conveniently) not analysed in any depth, but rather, "new approaches" are proclaimed as solutions (and past shortcomings not assessed). In part it is also because there have been few systematic data collected in Bank projects. Despite this massive sector work, and despite a specific recommendation from QAG on this 18 months ago, there is still no short, coherent statement of the Bank's strategy for water resources management in India.

Legitimacy and Dominance of Bank's Knowledge

The Bank was strongly pushing for privatisation of the water supply all through the 1990s. In September 2004, John Briscoe, Senior Water Adviser, made a presentation on behalf of the Bank to the International Water Association's World Congress at Marrakech. Among other things, lamenting the lack of adequate investment in water infrastructure in the previous decade, he said that "The last decade has been a lost decade [partly] due to the naïve view that the private

sector will take care of the infrastructure".¹¹⁴

This may be a rare occasion when the Bank admits it, but it is certainly not the first time that policies pushed by the Bank have led to tremendous turmoil, trauma, deprivation and displacement for millions in the world, only for it to be realised later that the policies were wrong and years or decades have been lost.

The 1980s saw the imposition of structural adjustment policies by the WB-IMF combine on many countries. These harsh measures, led primarily by severe cutbacks in public expenditures had huge adverse impacts on people and development. This period is now widely called the 'lost decade' in development literature.

In 1997, many countries in Asia saw the sudden flight of foreign capital bringing down the economies - what is called the Asian financial crisis. This flight (and the excessive vulnerabilities of these

"And then we realised that it was a mistake...."

Isabel Guerrero, then newly appointed India Country Head of the World Bank, in an interview to Sankarshan Thakur, Tehelka, October 13, 2007

"Well, probably we sometimes get accused for well-deserved reasons.... There has been some truth in the past to allegations. We did push privatisation. I was myself part of the team that went to the former Soviet Union, post-collapse, and we all said privatisation is a very good way out. And then we realised that it was a mistake. First of all because there were no institutions in the post-collapse Soviet Union and we did not realise the importance of institutions..... Right before I left Mexico, I wrote a paper saying exactly that: privatisation of the early 1990s,

probably supported by the World Bank, resulted in a few people becoming very rich, getting too much. And they hurt.

"I was part of these missions where we really believed that structural adjustment loans were good. We imposed conditionalities and disbursed loans and liberalisation went underway. It took maybe 12 reviews for the Bank to realise that conditionalities were not really working.... We did a lot of soul-searching on this, and then about four years ago, it started to get accepted that conditionalities do not work."

Source - http://www.tehelka.com/story_main34.asp?filename=Bul31007PRIVATISATION.asp

economies) was a direct result of the financial liberalisation pushed by the IMF, the World Bank and others.¹¹⁵ Another half a decade lost, at least.

A decade lost here, a decade lost there, trauma for millions - yet, the policy advice of the World Bank, and the knowledge on which this policy advice is based, still holds sway. Why? And how?

What are the factors that account for the legitimacy and dominance of the Bank's knowledge and analysis even after the glaring evidence from spectacular failures and many smaller ones?

Clearly, the financial muscle of the Bank is a crucial factor. As a lead operation officer in the European and central Asia region said:¹¹⁶

The Bank's ability to convene people derives significantly from the money it can lend. Money makes it possible to act on knowledge, ... The combination of money and knowledge is powerful and flexible. Some client regions and countries would not be able to undertake certain projects without loans from the Bank. For others - South Korea and Chile for example - access to the World Bank's know-how is much more important than access to its money.

In many countries, implementation of projects and programs is not possible without the money that the Bank would bring in. The Bank's financial muscle is not limited to the money that it itself distributes. There is strong interlinking and coordination between the world's multilateral and bilateral donor agencies and the sources of private capital. Thus, World Bank's lending often opens the doors for the rest, and an indication of exclusion by the Bank can turn off the tap from the other sources too.

Moreover, the huge interests of global capital, big businesses and MNCs are strongly linked to the Bank's lending and knowledge dealings. Lending by the Bank generates contracts and consultancies worth billions of dollars every year for them. Not only that, the kind

of projects and programs that the Bank promotes on the basis of its knowledge and analysis generates orders worth many times more. The Bank is proud to advertise this connection to corporate profits - literally. In 1995, when the Bank's own funding came under severe attack as activists lobbied the US Government to cut funding to the Bank, the Bank issued a series of advertisements in the New York Times and Washington Post. A sample pitch from one such ad:¹¹⁷

The World Bank is just what it says it is - a bank that invests in the world. ... it helps developing countries become tomorrow's markets....

Just ask McDermott International Inc of New Orleans... Thanks to a smart World Bank investment in Africa five years ago, McDermott brought home a \$255 million contract for offshore oil and gas construction...

Developing countries now purchase almost \$200 billion in US exports, creating 4 million American jobs....

Over 40 years, many of those countries have become new markets.

No wonder, global capital and corporate lobbies have a strong interest in supporting the kind of policies, projects and programs that the Bank promotes, and the knowledge that is produced and used to justify these.

All this makes it possible for the Bank to force its knowledge, its diagnoses and its prescription on client countries. Of course, it is often a chicken and egg situation. The Bank's prescription itself consists of high cost, highly capital intensive programs, necessitating access to Bank's capital.

The question then is - can such countries create their own knowledge, and solutions that will not require them to queue up to the Bank and other lenders/donors? Breaking the Bank's hegemony on knowledge is among the biggest challenges for many countries including India.

Part of the reason for the dominance and hegemony of the Bank's knowledge is the vast networks it has created for generating and disseminating knowledge. These networks can potentially not only bring legitimacy to Bank's knowledge but help internalise it in many nations' own knowledge production systems. As Michael Goldman, in his incisive study of the Bank as a knowledge producer says:¹¹⁸

The Bank must deploy professionals around the world to help mainstream Bank-style development into government agendas, investment portfolios, civil-society activities and the global political economy. Bank staff cannot do the job alone or by relying solely on the Bank's financial muscle...

One of the Bank's greatest accomplishments has been to make its worldview, its developmental framework, and its data sets the ones that people around to world choose above others.

The Bank's knowledge producing processes and networks draw in people from research institutions, academia, professionals, NGOs and bureaucracy in many countries, helping it penetrate national knowledge production systems. A related phenomenon here is the so-called 'revolving door'. In this, a middle or high ranking bureaucrat is offered deputation or short / medium term assignment with the World Bank. These assignments are hugely lucrative - paying many times more than the bureaucrat's job - and also hold out the possibilities of longer term jobs and hefty pensions. The problem with this is that often, these very bureaucrats deal with the World Bank in their official capacities - before or after such assignments. This raises the very important question of potential conflict of interest, and whether such bureaucrats would be able to resist any suggestions and policy advice from the Bank even if it was not beneficial for the country.

For those who are a part of the Bank's developmental networks, or part of the revolving doors, generating knowledge that goes against the grain of the Bank's thinking is not likely to be very profitable. On the contrary, it is likely to jeopardise future possibilities of lucrative

consultancies or postings.

In a very interesting article, Robin Broad, professor at the School of International Service at American University, describes six mechanisms by which the World Bank performs a “paradigm-maintenance” role, privileging work that ‘resonates’ with the Bank’s thinking and dis-incentivising work that does not. While Broad is talking about the Bank’s internal mechanisms, one of the mechanisms that applies more broadly is:¹¹⁹

...the Bank’s generous pay scale and benefits ... This is what a former Bank economist terms “the golden handcuffs”. While the Bank claims these are necessary to attract the best staff, what they actually do is limit dissent by increasing the “opportunity costs” of any dissidence.

Challenges

The Bank’s own knowledge production processes and its extensive knowledge networks - closely entwined with corporate interests - have spun a golden web, if not put golden handcuffs, around many people and institutions engaged in knowledge production in countries like India. Knowledge produced by this elite section has been accorded legitimacy to the exclusion of other forms of knowledge. This knowledge is being used to justify the policies of Liberalisation, Privatisation and Globalisation in almost every sector of the economy, transforming natural resources of the country into marketable commodities with intent to boost corporate profits.

One of the key functions of this knowledge has been to create the TINA myth - There Is No Alternative. No alternative to these policies, no alternative to the knowledge created by the Bank.

Yet, we have seen that this knowledge - and the process of its production - is highly flawed. Not surprisingly, this has resulted in lost decades, or terrible, catastrophic system failures like the Asian financial crisis. Yet, it is naïve to believe that the Bank will be even the

slightest perturbed by all this, for there are strong interests behind this process.

Therefore, it is a challenge for the citizens of this country to break the hegemony of the Bank on knowledge production, to liberate the process from the control of the elite.

To do that, the first thing is to realise that the Bank is only one of the players. It may be the most visible face, but the entire nexus includes corporate, business, bureaucratic interests. Today, the lines between research institutes, academia, think tanks, governments and corporate profit interests are getting blurred, whether it is the latest Indo-US Knowledge Initiative on Agriculture or the more conventional consultancies in water sector.

The second important thing is to democratise not only the creation of knowledge but also the process of determining its objectives.

In a somewhat amusing email, a senior world bank official associated with the proposed privatisation of the water supply in the K-East ward in Mumbai, writes thus to the CEO of Castalia, the consultants who are preparing the privatisation plan under a PPIAF grant, in reference to the communication plan:¹²⁰

The draft plan avoids any direct consultation and communication with consumers - it focuses on 'influencers' like politicians, NGOs and media. It is absolutely essential that there be forms of direct communication with consumers through street corner meetings, formal consultations, a space... for consumers to interact directly with project authorities etc. Depending entirely on influencers can be a gamble - the influencers can also be influenced by others as we saw in Delhi. [Reference here is to the protests against Delhi water privatisation.]

The Bank wants to communicate directly with the consumers to avoid protests, but it does not feel the same need when designing the project, defining the objectives - in general when creating knowledge.

During this process, the Bank is content with “influencers” for it wants to control the process.

The challenge for citizens is to involve meaningfully the common people - farmers, labourers, women, small businesses etc. - in the process of analysis, determination of objectives, creation of knowledge and generation of solutions, and make it into a political force. When we make this suggestion, we do not want to romanticise ‘local and traditional knowledge’. We need to understand its strengths as well as limitations. We also need to do the same for ‘expert’ knowledge. Equally important, the process of knowledge creation needs to be detached from the interests of excessive profits, and needs to be reformed to address issues of common good, equity, justice, environmental sustainability.

Ultimately, it is about controlling our development process. Control is the key reason why the World Bank is placing so much importance on being a Knowledge Bank. As the external Evaluation of the Bank’s Research states:¹²¹

As is well known, there is an on-going effort to reposition the World Bank as the ‘Knowledge Bank,’ with lending operations playing a reduced role, and the Bank playing a more important role as a source of policy knowledge. In many ways this is responding to the changing demand for the Bank’s services. We already see that a number of middle income countries like Mexico, or even countries approaching middle income, like India, either do not really need the Bank as a lender or are moving in that direction.

The Bank is preparing for the future. Are concerned citizens doing the same?



Endnotes

- 1 Laporte and Cohen (2004)
 - 2 World Bank (2004a)
 - 3 See for example, Dwivedi, Rehmat and Dharmadhikary (2007)
 - 4 World Bank (2004a). Emphasis in original.
 - 5 Banerjee et al (2006). We rely on this study for many of the details of the Bank's research organisation given in this subsection.
 - 6 The 2000 papers are included in the figure of 4000 papers, books and report is inferred by us from various figures given in Banerjee et al (2006)
 - 7 This does not include significant shares of costs of some regional and network flagship publications, the WDR and other costs. It includes the cost of dissemination of research.
 - 8 All World Bank Institute (WBI) related information from WBI website, FAQ <http://web.worldbank.org/WBSITE/EXTERNAL/WBI/0,contentMDK:20100254~menuPK:204769~pagePK:209023~piPK:207535~theSitePK:213799,00.html>, Accessed on 14 September 2007
 - 9 Goldman (2006) Page 78. Goldman shows this by quoting Bank documents.
 - 10 Goldman (2006) Page 77. Goldman's explanation for this transformation is that when McNamara became the President of the Bank in 1968, the Bank's lending philosophy was large infrastructure investments to generate growth and development in underdeveloped regions and this had the support of the financial and other institutions. McNamara wanted to change this to "investing in the poor" and needed to create the perception of economic and financial soundness for this.
 - 11 CGIAR website <http://www.cgiar.org/who/history/origins.html>, Accessed on 14 September 2007
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- 12 CGIAR website <http://www.cgiar.org/who/index.html>, Accessed on 14 September 2007
- 13 CGIAR website <http://www.cgiar.org/who/history/index.html>, Accessed on 14 September 2007
- 14 All information about GDLN quoted from the GDLN website <http://www.gdln.org/WBSITE/EXTERNAL/GDLNCHILD/0,hlgPK:64233317~menuPK:841862~pagePK:64234859~piPK:64234862~theSitePK:841731,00.html>, Accessed on 14 September 2007
- 15 World Bank (2001) Page 44
- 16 PWC were paid US\$ 1.45 million for this. Source: <http://web.worldbank.org/external/projects/main?menuPK=228443&theSitePK=40941&pagePK=233764&piPK=233766&Projectid=P067215>, Accessed on 9 August 2007
- 17 These are Enhancing the Environment for Innovation, Strategies for Low Carbon Growth, Programmatic Poverty Assessment, Growth and Employment in Lagging Regions, Long-term Energy Issues-Phase II, Investment Climate Assessment III, and Environmental Challenges of India's Rapid Growth. World Bank (2007) Para 29.
- 18 World Bank (2007) Para 22
- 19 Email dated 22 August 2007 from Public Information Center, World Bank, New Delhi in response to query from Manthan.
- 20 World Bank (2004a), Page 12
- 21 World Bank (2007)
- 22 These 12 states - Andhra Pradesh, Assam, Bihar, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Orissa, Rajasthan, Tamil Nadu, Uttar Pradesh, and West Bengal - account for more than 90 percent of India's poor.
- 23 World Bank (2007) Page 6
- 24 *ibid*
- 25 website of WSP <http://www.wsp.org/about/index.asp>
- 26 World Bank (2007) Para 34
- 27 Email from Tracey Osborne, Communications Specialist. PPIAF dated 12 Sept. 07 in response to query from Manthan
- 28 Email from the Public Information Centre, World Bank, New Delhi dated 22 August 07 in response to query by Manthan.

- 29 Concept Note on the Workshop - Willingness to Charge (Revised) received on email by an invitee. See also the report on Water and Sanitation Program website "Nagari: Fourteenth Meeting of the Urban Think Tank. Willingness to Charge for Water and Sanitation Services: Outcomes from Three Workshops. Sept 29, Oct 1 and Nov 14-15, 2002. Hyderabad, Bangalore and Kolkata, India". http://www.wsp.org/pdfs/NAGARI_14_PRESS.PDF or http://www.wsp.org/filez/pubs/36200793413_sanagari9.pdf
- 30 World Bank (2007) Para 36, 37
- 31 World Bank (2004a) Para 52
- 32 World Bank (2004a) Para 147
- 33 World Bank (2004a) Para 146
- 34 States are also being pushed to undertake reforms in various sectors through the carrot and stick approach with the use of central funds, through agencies like the Power Finance Corporation or programs like the National Urban Renewal Mission. But we will restrict our discussion to the use of knowledge activities to push reforms.
- 35 World Bank (2004a), Para 58 and also 55-57
- 36 World Bank (2007), Para 13
- 37 For example the ongoing privatization and commercialisation of the water sectors in Karnataka, Maharashtra, Madhya Pradesh
- 38 World Bank (2007), Annexure 12
- 39 Today, these are known as Project Appraisal Documents
- 40 Staff Appraisal Report: Sardar Sarovar Dam and Power Project, Report No: 5107 IN, The World Bank, Washington D.C. February 1985.
- 41 World Bank (1999a) Page ix
- 42 *ibid*
- 43 World Bank (1999a) Page x
- 44 World Bank (1999b) Page xiii
- 45 Iyer (2003)
- 46 World Bank (1999b) Pages 17-18
- 47 World Bank (2003) Pages 6-7
- 48 World Bank (1999b) Pages 133-134

49 World Bank (2003) Page 7

50 Note that this is not only a theoretical recommendation. One of the key mandates for the Maharashtra State Water Sector Regulatory Authority, the first such water regulatory body in the country, formed as a part of the requirement of the World Bank loan to the state for water sector restructuring, is to set up criteria for trading in water entitlements.

51 World Bank (1999b) Page 134

52 World Bank (1999b) Page 138

53 World Bank (1999b) Page 55

54 World Bank (1999b) Page 138

55 Recollect that the Water Sector Review had five separate reports prepared by five different teams.

56 World Bank (1999c) Page 29

57 World Bank (1999d) Page 108

58 World Bank (1999f) Page xvi

59 World Bank (1999f) Page 34

60 Loftus and McDonald (2001): Page 19

61 It may be noted that the decision to privatise the water supply was taken in 1991, and preparations, tendering, bidding, evaluation went on through 1991 to early 1993 when the privatisation contract was actually signed. This practice of increasing tariffs before privatisation (in fact after the decision of privatisation has been taken but before actual privatisation) is a familiar one.

62 Loftus and McDonald (2001): Pages 19-20

63 From A briefer prepared by Bobet Corral; 12 November, 2003; (Updates Of The World's Largest Privatisation of Water Supply, Based on Various News Clips and Freedom from Debt Coalition and Bantay-Tubig Network Position Papers) among several other references.

64 Montemayor Carla A. (2003): *'The Manila water Privatisation Fiasco and the Role of Suez Lyonnaise / Odeco'*, Presentation for the Summit for Another World (during G8 summit in Evian, 2003), The Philippine Water Vigilance Network, May 2003 among many other references.

65 Hall (2002) among several other references

66 Loftus and McDonald (2001) Page 3

- 67 Freedom from Debt Coalition (Philippines), *'Lessons from a Failed Privatisation Experience - The Case of the Philippines Metropolitan Waterworks and Sewerage System (MWSS)'*, January 2005
- 68 *ibid*
- 69 World Bank (1999f)
- 70 We were not able to get details of the violations for which these fines were levied.
- 71 Fremstad (Undated)
- 72 Montemayor Carla A. (2003): *'The Manila water Privatisation Fiasco and the Role of Suez Lyonnaise/ Ondo'*, Presentation for the Summit for Another World (during G8 summit in Evian, 2003), The Philippine Water Vigilance Network, May 2003
- 73 Freedom from Debt Coalition (Philippines), *'Lessons from a Failed Privatisation Experience - The Case of the Philippines' Metropolitan Waterworks and Sewerage System (MWSS)'*, January 2005
- 74 India's Water Challenges: Towards a Major Bank Report, presentation by John Briscoe and RPS Malik, at a Consultation, New Delhi, August 28, 2004
- 75 International Consortium of Investigative Journalists (2003) Page 69
- 76 website of PPIAF at <http://www.ppiaf.org>, Accessed on 10 September 2007
- 77 website of PPIAF at http://www.ppiaf.org/sections/PPIAF_deliverable_type.htm, Accessed on 10 September 2007
- 78 website of PPIAF at <http://wbIn0018.worldbank.org/ppiaf/Activity.nsf/DocByUnid/DC3A02D9ADA88FAB852571EA0070B462?Opendocument> Accessed on 14 Dec 2006
- 79 Documents obtained under the Right To Information Act by Manthan from Ministry of Urban Development. The MoUD provided us with the program, attendance list and only a two page write up on the Conclusions of the Seminar. It has no records of the discussions, proceedings or papers presented.
- 80 Indeed, several of these "success stories" also turned into failures as many of these projects collapsed due to severe tariff hikes, breaches of contracts, poor performance etc. In Argentina, Buenos Aires project ended in 2005, though it has run into serious problems in 2001 itself. In Manila, one of the two contractors abandoned the project in Dec 2002. (Maynilad, in Manila West). Apart from these, many other privatized projects also ran into serious problems and / or failed.

- 81 World Bank (2004b) Page 35
- 82 Sunman, Hilary (2000): '*Financing Statistics, Trends and Policies of International Financial Institutions*'. Paper prepared for Thematic Review III.2: International Trends in Project Financing', for the World Commission on Dams. Available on the WCD CD-ROM
- 83 The World Bank & The World Commission on Dams Report Q&A. From the World Bank website web.worldbank.org/servlets/ECR?contentMDK=20424164&sitePK=336487 Accessed on 20 August 2007
- 84 Another project that was selected was the Aswan dam project in Egypt.
- 85 World Bank (2005a) Page 21. Note that even though this was called a 'draft', it is the draft version that has been widely distributed, used for presentation and even today, the version on the World Bank's website is called a 'Draft'.
- 86 *ibid* Page 15
- 87 *ibid* Page 16
- 88 *ibid* Page 18
- 89 The report "Turbulent Future" was brought out in June 2005 as a draft Report. A draft version dated December 2005, is the one that is even now being distributed through the Bank's website.
- 90 In fact, the Bhatia-Malik study of Bhakra has been used not only in India, but even in Pakistan. The World Bank's Pakistan Country Water Resource Assistance Strategy 2005 (World Bank 2005b) which lays down the Bank's approach for funding the water sector in Pakistan, uses the example of Bhakra and the Bhatia-Malik study several times. It makes the same point as for India (World Bank 2005b Page 10):
- "And the major study by Bhatia and colleagues of the effect of Bhakra, again shows that the rural poor have benefited hugely from the project and ... that it was the indirect effects of the dam which had the major impact on urban areas (and therefore on urban poverty reduction)."*
- and argues that:
- "...the indirect impacts of major dams in Pakistan are likely to be quite similar to those emanating from the similar-sized Bhakra Dam in the Indian Punjab."*
- 91 It may also be mentioned here that another study on the Bhakra dam project - *Unravelling Bhakra* - was published in April 2005 by Manthan Adhyayan Kendra. (This author - Shripad Dharmadhikary - was also the author of that study). But the Bank chose to completely ignore *Unravelling Bhakra* possibly because it brought out that the benefits of Bhakra were much smaller than

claimed while there had been significant adverse impacts. The study has been available - with all its data, methodology, assumptions - in the public domain since 2005, well before the publication of *Turbulent Future*. (See www.manthan-india.org for full report of the study)

- 92 Laporte and Cohen (2004)
- 93 Email from the Public Information Center, World Bank, New Delhi dated 9 August 2007, in response to queries by Manthan.
- 94 See, for example, Joy and Hardstaff (2005)
- 95 Asian Development Bank (2004)
- 96 *ibid*
- 97 Asian Development Bank (2001)
- 98 *ibid*
- 99 Note dated 25 July 2002, by J.K. Tiwari, Chief Engineer, Water Resource Department, and Nodal Officer for externally aided projects, Government of Madhya Pradesh. Obtained by Manthan under the Right to Information Act.
- 100 *ibid*.
- 101 Letter from Halcrow to Shripad Dharmadhikary, Manthan, dated 28 Nov. 2002
- 102 Email from Halcrow to Shripad Dharmadhikary, Manthan dated 9 December 2002.
- 103 Email from Suresh Mishra Dated 13 Aug 2007
- 104 Asian Development Bank (2004)
- 105 Reports of the respective reviews, World Bank 1999a to 1999f
- 106 Joy and Hardstaff (2005)
- 107 On a positive side, Halcrow claims that "Halcrow was not involved in the studies for, or the procurement or initiation of, the failed concession contract for supply of water services in Cochabamba. Much earlier, Halcrow and the World Bank had advised the government of Bolivia that any privatisation with high tariff increases would not be affordable". News release by Halcrow, dated 22 March 2005, number HG05016, titled "*Halcrow hits back at World Development Movement report*" Downloaded from http://www.halcrow.com/html/documents/pdf/news/wdm_report.pdf Accessed on 28 May 2007.

- 108 Castalia website, http://www.castalia.fr/SITE_Default/SITE_sectors/water/01-natural_resources.asp
Accessed on 8 Sept 2007
- 109 See Dwivedi, Rehmat and Dharmadhikary (2007) for a list of such failed projects, or see the database of privatised projects on Manthan web site at www.manthan-india.org/rubrique21.html
- 110 From the website of the World Bank <http://go.worldbank.org/U6VB00O7X1>
The links for the full report, annexures and responses from the current and past Chief Economists of the Bank can be found on this page.
- 111 Banerjee et al (2006)
- 112 Banerjee et al (2006) Page 141
- 113 Downloaded from [http://lnweb18.worldbank.org/ESSD/ardext.nsf/18ByDocName/IndiaFocusCountryStudyandtheDelhiConsultation/\\$FILE/IndiaFocusCountryStudyReporttoBankManagement.pdf](http://lnweb18.worldbank.org/ESSD/ardext.nsf/18ByDocName/IndiaFocusCountryStudyandtheDelhiConsultation/$FILE/IndiaFocusCountryStudyReporttoBankManagement.pdf) Accessed on 16 May 2007
- 114 Keynote Address by John Briscoe at IWA (International Water Association) Marrakech Congress in Morocco on 20th Sept 2004: 'Sustained economic growth is fundamental for reducing poverty and improving water and sanitation coverage'. Downloaded from http://www.iwa2004marrakech.com/uploads/Briscoe_Opening.pdf, but now not available on the site.
- 115 'All Fall Down: Ten Years After The Asian Financial Crisis'. Article by Walden Bello dated 27 July 2007 on website of Focus on Global South at <http://www.focusweb.org/all-fall-down-ten-years-after-the-asian-financial-crisis.html?Itemid=92>, Accessed on 15 September 2007
- 116 Quoted in Laporte and Cohen (2004)
- 117 Advertisement in the New York Times, date not available, but around May 1995. Also, Press Release B95/S93 of the World Bank dated 16th May 1995 "World Bank Launches Major Campaign to Show..." describing the advertisement campaign. Copies of the ads and press release both available with Manthan.
- 118 Goldman (2006) Pages xiv and xv.
- 119 Broad (2006)
- 120 Email dated 17 March 2006, obtained under RTI Act by Zainab Bawa and made available to Manthan
- 121 Banerjee et al (2006) Page 12

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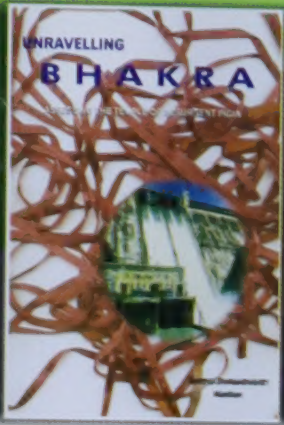
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